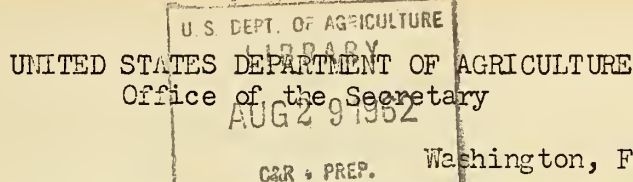


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Feb. 9, 1951

Secretary of Agriculture Charles F. Brannan today issued the following statement:

FARM PRICES IN THE PRICE CONTROL PICTURE

A number of recent public statements have created the impression that agricultural commodity prices are unreasonably or disproportionately high in relation to prices of other consumer goods or to wages or to the farmer's costs. This impression is not warranted by the facts.

Other statements indicate that food prices are exempted from price control. This also is not true. On the contrary, the food products now included in the freeze order represent about 40 percent of the total food cost in the BLS consumers' price index.

Still other statements seek to show that farmers have been given special or privileged treatment in the laws and regulations providing for inflation control. Again, this is not true.

The purpose of this statement is not to deny that prices of some foods and farm commodities have substantially increased but rather to show where they really stand in our economy of general prosperity and full employment.

1. HOW HIGH ARE FARM PRICES?

It is true, of course, that prices received by farmers for many commodities have risen in recent months and are now high in relation to their own history. But the same is true of most other raw and finished goods. For example, since the Korean outbreak, tin has gone up more than 138 percent, aluminum over 78 percent, lead nearly 50 percent, chemicals about 27 percent, and textiles 32 percent. In the same period, prices received by farmers have advanced 21 percent.

Prices received by farmers have still not reached their previous record level, while farmers' costs have gone on up to new record heights. On the other hand, corporate profits, wages, and average personal incomes are setting new records.

(more)

Here are the major facts about farm commodity prices and farm income which should be considered in the present situation:

(A) Most prices of farm commodities to the producer are below parity -- the statutory measure of fair relationship between prices received by farmers and prices paid by farmers. Some are above parity -- meats in particular -- but these are now under the same type of control that applies to all other prices.

Much has been made of the fact that the farm commodities selling below parity are free to rise and thus increase the cost of living before becoming subject to control. But if all farm commodities now below parity should reach the parity level, consumer food costs would rise less than 5 percent, and this would mean less than a 2 percent rise in the over-all cost of living.

Moreover, it is extremely unlikely that such a rise will occur. Prices of potatoes and oranges represent about a third of that 5 percent difference; those prices have been about 50 percent of parity and there are no current indications of substantial rises. Also, canned fruits and vegetables now in the warehouses and grocery stores are from last year's crop, already sold by the farmer; thus, there is no farm price of those commodities to be increased. (Further information on this point will be found in Supplement A).

(B) Food prices have risen less than prices of some other commodity groups in the BLS consumer price index. From June to December, food went up 5.3 percent while clothing rose 6.2 percent and house furnishings rose 10.6 percent.



Consumers' price index: Cost of goods purchased by wage earners and low salaried workers in large cities, United States (1935-39 = 100)\*

	June 1950	Dec. 1950	Percentage change from June 1950 to Dec. 1950
All items	170.2	178.4	/ 4.8
Food	204.6	215.4	/ 5.3
Apparel	185.0	196.4	/ 6.2
Rent	123.9	125.8	/ 1.5
Fuel, etc.	138.9	144.1	/ 3.7
House furnishings	185.2	204.8	/ 10.6
Miscellaneous	155.3	162.0	/ 4.3

\*Bureau of Agricultural Economics  
Compiled from Retail Price, Bureau of  
Labor Statistics

As shown by the table above, rents were relatively stable. Exclude rents from the computation and it will be seen that the other items of the index rose approximately the same as food.

(C) The average of all farm commodity prices is just now over-  
coming the drop it took in 1948 and 1949. The drop in farm prices averaged 24 percent, while nonfarm prices and wages were either dropping very little or continuing upward.

As of January 15, prices received by farmers were still 2 percent below the January 1948 peak. While receiving lower prices, farmers had to continue paying high prices, with the result that their net realized income went down three years in a row.

Net income realized by farm operators dropped from almost \$18 billion in 1947 to about \$16.5 billion in 1948, about \$14 billion in 1949 and about \$13 billion in 1950. If prices had not risen substantially in the latter part of 1950, farmers' net income for that year would have been further appreciably reduced.

(D) No other major segment of our economy went through such a severe economic setback. In fact, corporate profits after taxes, following a small decline, have gone on up to new records and are now running about 32 percent above the 1947 rate. For 1950 as a whole they were 18 percent above 1947. Wages have gradually risen, and hourly earnings of factory workers in 1950 were 18 percent above the 1947 level.

Corporate profits after taxes amounted to \$18.5 billion in 1947, went up to \$20.9 billion in 1948, were at \$17 billion in 1949 and reached a new record peak of \$21.9 billion in 1950. In the last quarter of 1950, they were running at an annual rate of about \$24.5 billion. Factory wages were \$1.24 per hour in 1947, \$1.46 in 1950 and for December were \$1.54.

(SEE ATTACHED CHART FOR THESE AND OTHER COMPARISONS)

It is sometimes said that it is unfair to compare recent trends with levels reached in 1947, the all-time high year for agricultural income. Other comparisons can be made. For example, for the last quarter of 1950 as compared with the prewar period 1935-39, food prices had slightly more than doubled, but consumers' disposable income per capita was more than 2-1/2 times the prewar level. Also, in 1950 income from agriculture was running 2-1/2 times the 1935-39 average, while nonagricultural income was almost 3-1/3 times and corporate profits more than six times 1935-39.

It should also be remembered that until the early part of the recent war, agriculture had not fully recovered from its long depression of the 1920's and early 30's. Comparisons based upon depression conditions are completely unfair. Comparisons with postwar benchmarks at least measure how the various segments of the economy have been doing recently.

(E) Food is a better bargain for the average person today than in the prewar period. Those people whose incomes have kept up with the average can buy with 19 percent of their disposable income the same diet that required 23 percent of their disposable income in 1935-39. It is true, of course, that persons whose incomes have substantially lagged behind the general rise are at a disadvantage -- some seriously. They have a real problem which requires the sympathetic attention of the whole public. However, agricultural commodity prices in general cannot be geared to the needs of the disadvantaged group as long as other prices are left at high levels. The result would be to drive farmers out of business and disrupt production at the time we most need a strong, highly productive agriculture.

(F) Prices of many farm commodities have very little relationship to consumer prices. Several examples give this picture clearly:

The cotton in a shirt now selling for \$3.50 to \$4.00 probably did not bring the farmer more than 30 cents.

A 16-cent can of tomatoes represents about 3 ~~cents~~ of gross income to the farmer.

The corn in a can retailing at 19 cents brought less than 2-3/4 cents to the producer.

Onions which were selling in stores in November for 5.7 cents a pound had been sold by the farmers for a little over one cent.

When milk leaves the farm, it immediately goes into a distribution and processing system that almost doubles its price in a few hours.

The wheat in a loaf of bread that sells for 15 to 16 cents brings the farmer only about 2-2/3 cents. It is interesting to note that the retail price of bread has gone up 1.7 cents a loaf since June. If this were due



entirely to a rise in the price of wheat, it would mean that wheat had gone up \$1.12 a bushel. Actually, the farm price of wheat in January was only 16 cents a bushel higher than it was before the Korean outbreak.

Although the farmer is getting a larger share of the consumer's food dollar than a year ago (now about 51 percent) this is still considerably smaller than the share received by the farmer in several recent years. In 1945 and 1946 the farmer's share averaged 54 and 53 percent, respectively. From January of 1943 through September 1948, the farmer's share did not go below 50 percent in any month.

(G) Causes of price rises in agricultural commodities are somewhat different from the causes of price rises in nonfarm commodities generally.

Prices of many manufactured items tend to rise because market supplies are being lowered in order to permit increased production of military goods. Most agricultural commodities, on the other hand, are available in record and near-record amounts, but demand is increasing as consumer incomes increase.

These considerations emphasize the importance of abundant production in the job of keeping prices of agricultural commodities at reasonable levels. On the other hand, it should not be taken for granted that agricultural production can be increased enough to meet all of the rising demands.

(H) The public does not ask manufacturers to produce military goods at less than fair returns. On new defense plants, rapid depreciation is permitted in order to reduce tax liability. Under the Defense Production Act, Government agencies encourage financial institutions to lend money to defense producers by guaranteeing the lenders against loss. The Government itself may lend money for the expansion of productive capacity, the development of

technological processes, explorations and mining. The Government often makes advance commitments to buy what is produced.

Many agricultural commodities are of such importance that, if necessary for expansion of production, the public (through Government) would undoubtedly make to farmers some of the same concessions and guarantees that it makes to manufacturers and other producers of defense goods. Some such devices might become necessary if agricultural prices were depressed in relation to other prices.

2. ARE FARM PRODUCTS EXEMPTED BY LAW FROM PRICE CONTROL?

No. Prices of all farm commodities are subject to control as soon as they reach a legally specified level.

Important farm commodities were put under price control in the price-wage freeze order issued by the Economic Stabilization Agency, January 26. Among them were the meat animals, wool, cotton, cottonseed, rice and flue-cured tobacco.

3. HOW DOES THE LAW DEFINE THE LEVEL AT WHICH A CEILING MAY BE PLACED ON AN AGRICULTURAL COMMODITY?

No ceiling may be established below the parity price or the highest price received by producers during the period from May 24 to June 24, 1950. Both levels are subject to adjustment for grade, location, and seasonal differentials. Except in a few unusual situations, those provisions apply generally.

4. UNDER THE LAW, MUST CEILINGS BE HIGH ENOUGH TO PERMIT FAIR MARGINS FOR PROCESSORS?

Yes. The law says, "That in establishing and maintaining ceilings on products resulting from the processing of agricultural commodities, including livestock, a generally fair and equitable margin shall be allowed for such processing..."

5. DOES THE LAW SPECIFY THE LOWEST LEVEL AT WHICH CEILINGS MAY BE APPLIED TO WAGES AND TO PRICES OTHER THAN FARM COMMODITY PRICES?

Yes. The standard for both is the May 24-June 24 level, but exceptions are permitted. Prices found to be abnormal in that period can be adjusted to a "representative" level. Provision is also made for adjustment of hardships and inequities. Controls on wages, salaries and other compensation must not be "inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the Labor Management Relations Act, 1947, or any other law of the United States, or of any State, the District of Columbia, or any Territory or possession of the United States."

6. IS THE PROHIBITION AGAINST BELOW-PARITY CEILINGS FOR FARM PRODUCTS INCONSISTENT WITH OTHER PRICE AND WAGE PROVISIONS OF THE LAW OR WITH ACCEPTED GOVERNMENTAL PRINCIPLES?

No. The law seeks to achieve certain purposes, including the control of inflation, by means which are fair and equitable. In consequence, its provisions are based upon certain standards contained in previous legislation -- minimum standards for wages and working conditions in the field of labor and the "parity" or fair price measurement for farm products -- as well as a general provision for normal or representative prices.

If the old standards of equity were to be abandoned, new legal standards would have to take their place or be improvised by administrators from day to day.

Neither agriculture nor business nor labor nor any other segment can properly be asked to bear controls first, alone, or inequitably. Such action would be neither effective nor fair. All must bear the responsibility together.



Parity is the fairest available measure of equitable prices for agricultural products.

Parity never increases until after prices of goods bought by farmers have increased, and then only by enough to balance the increases in prices and cost rates paid by farmers. When prices paid by farmers go down, parity goes down.

OPA-officials, reviewing price control experience during World War II, concluded in a publication issued in 1947 that "...it does not seem possible that anything other than parity could have been adopted by OPA as an administrative method of measuring generally fair and equitable prices for agricultural commodities."

SUPPLEMENT A

As noted previously, the law does not exempt any farm commodities from price control when they reach a defined level. Also, the prices of many agricultural commodities were frozen by the order issued by ESA on January 26. Among these were the meats from beef cattle, veal calves, sheep, lambs, and hogs; wool, mohair, cotton, cottonseed, rice, and flue-cured tobacco.

The food prices definitely frozen by the order of January 26 represent approximately 40 percent of the total food cost in the BLS consumers' price index.

In addition, it should be noted that the freeze order froze the consumer prices of many farm commodities even though the corresponding farm prices technically were not covered by the order. That is, first processors of goods were prohibited from raising their prices after effective date of the order unless they could prove that they were paying increased prices to farmers. Unless the first processor increases his price, others farther along in the distribution system cannot increase their prices. Obviously the canners of fruits and vegetables cannot pay higher prices to farmers until the new crops come along, so the prices of all canned fruits and vegetables now on hand are frozen. Other commodities are frozen in the same way although, technically, the farm price is not frozen under the order.

However, there is a more definite answer to assertions that food prices are free to rise five percent before reaching the parity level at which ceilings could be applied.

An analysis of the particular farm prices which are below parity indicates that sharp rises for some of the more important items are not now in prospect. For example, potatoes account for almost 1 percent, or  $1/5$ , of the 5 percent difference mentioned above. Oranges account for about  $3/4$  of 1 percent, eggs  $1/2$  of 1 percent, and apples almost  $1/4$  of 1 percent. In short, these four commodities account for about half of the effect which rising farm prices might have on the consumers' price index. But the prices of oranges and potatoes have been around

50 percent of parity and prices of apples and eggs only about 80 percent of parity; current supplies and prospects for these commodities indicate that no sharp rises are in immediate prospect.

Allowance must also be made for the fact that canned goods such as canned peaches, corn, tomatoes, and peas which are now on store shelves are from last year's crop, already sold by the farmers; thus there are no farm prices of these commodities to be increased. Further allowance must be made for the fact that the farm price has very little effect upon the actual retail price of such highly processed commodities as corn flakes, rolled oats, and white bread.

It is clear that statements which claim that food prices cannot be brought under control because of current differences between farm prices and parity prices grossly exaggerate the importance of this factor. Such statements simply divert attention from the all-important problems of how to direct increasing consumer incomes into non-inflationary channels, including the question of how prices and cost rates paid by farmers themselves can be stabilized.

Parity prices are the fairest and most widely accepted available measure of equitable prices for agricultural products. Further, parity never increases until after prices and cost rates paid by farmers for goods and services bought and used in connection with farm production and farm family living have increased, and then only by enough to balance the increase in prices and cost rates paid by farmers. When prices paid by farmers go down, parity goes down; when prices paid by farmers go up, parity goes up.

The real problem centering around parity and parity prices is how to stabilize prices or rates of items such as motor vehicles, motor supplies, farm supplies, building materials, fertilizer, farm wages, taxes and interest rates paid by farmers.

*The Reformation*

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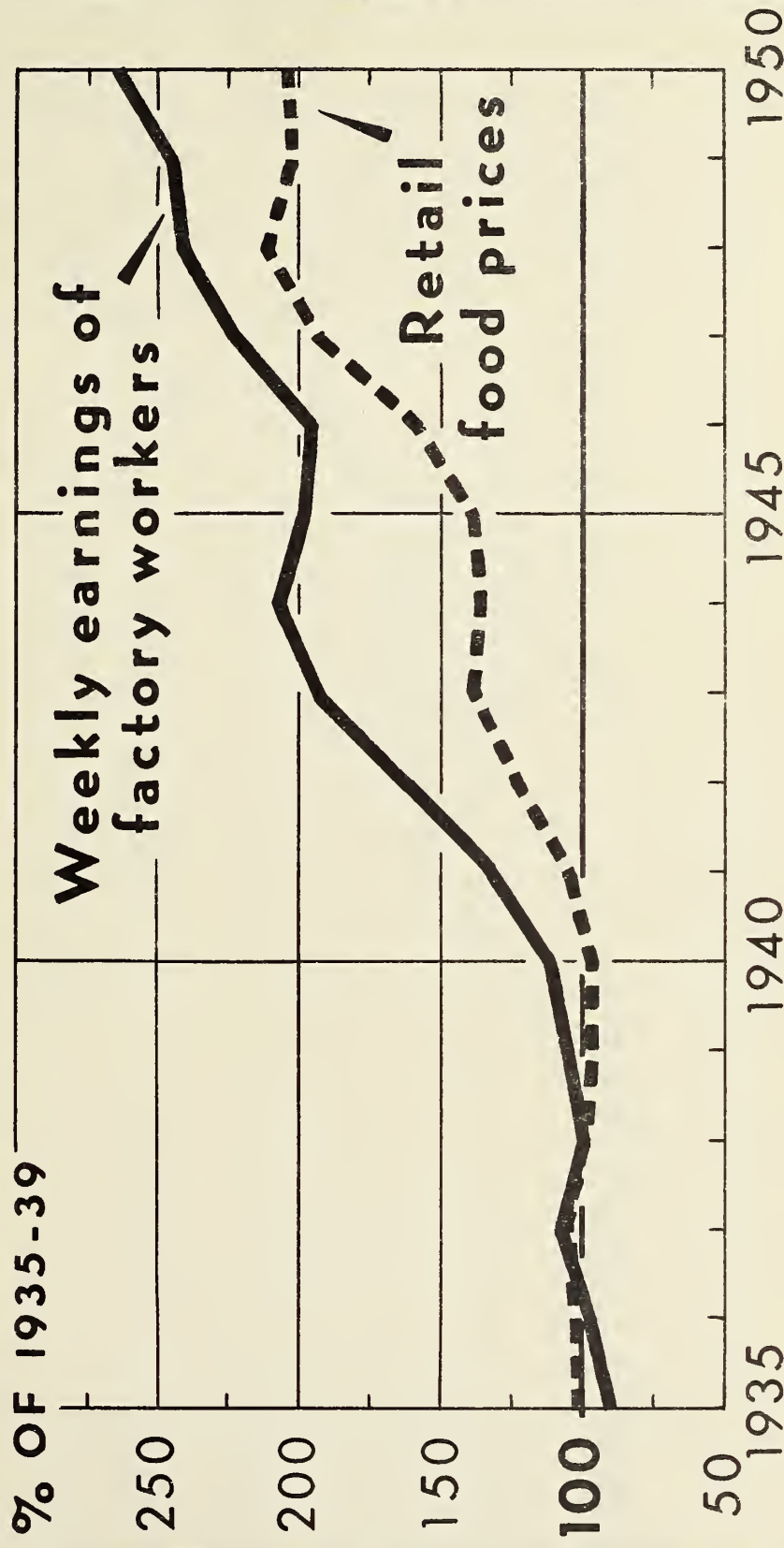
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# RETAIL FOOD PRICES AND WEEKLY EARNINGS OF FACTORY WORKERS

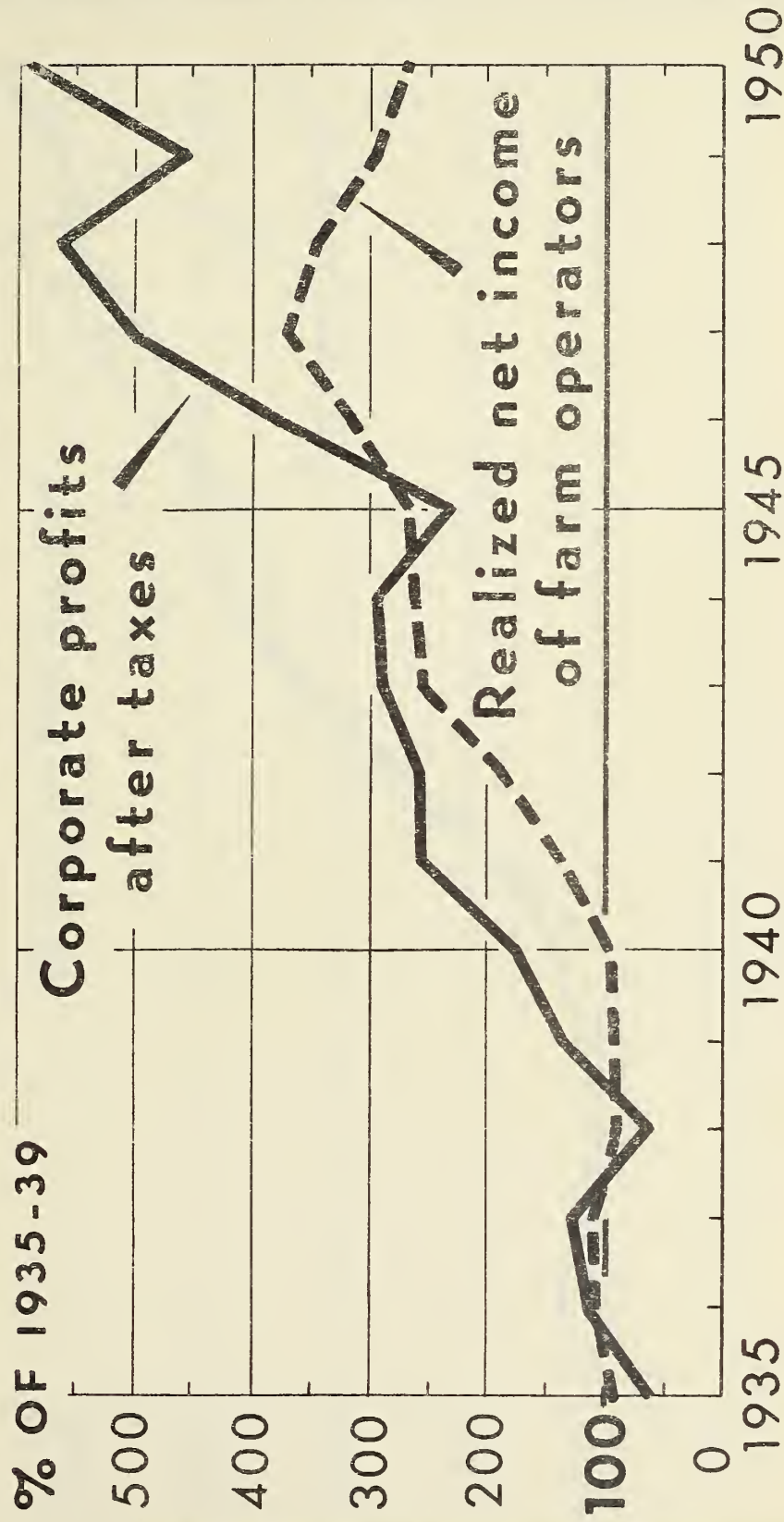


CALCULATED FROM AVERAGE WEEKLY FACTORY EARNINGS AND RETAIL PRICES OF FOOD IN LARGE CITIES, BOTH AS REPORTED BY THE BUREAU OF LABOR STATISTICS.





# FARMERS' INCOME AND CORPORATE PROFITS



FARMERS' INCOME IS REALIZED NET INCOME OF FARM OPERATORS. CORPORATE PROFITS AFTER TAXES AS REPORTED BY DEPARTMENT OF COMMERCE. 1950 DATA ARE PRELIMINARY.

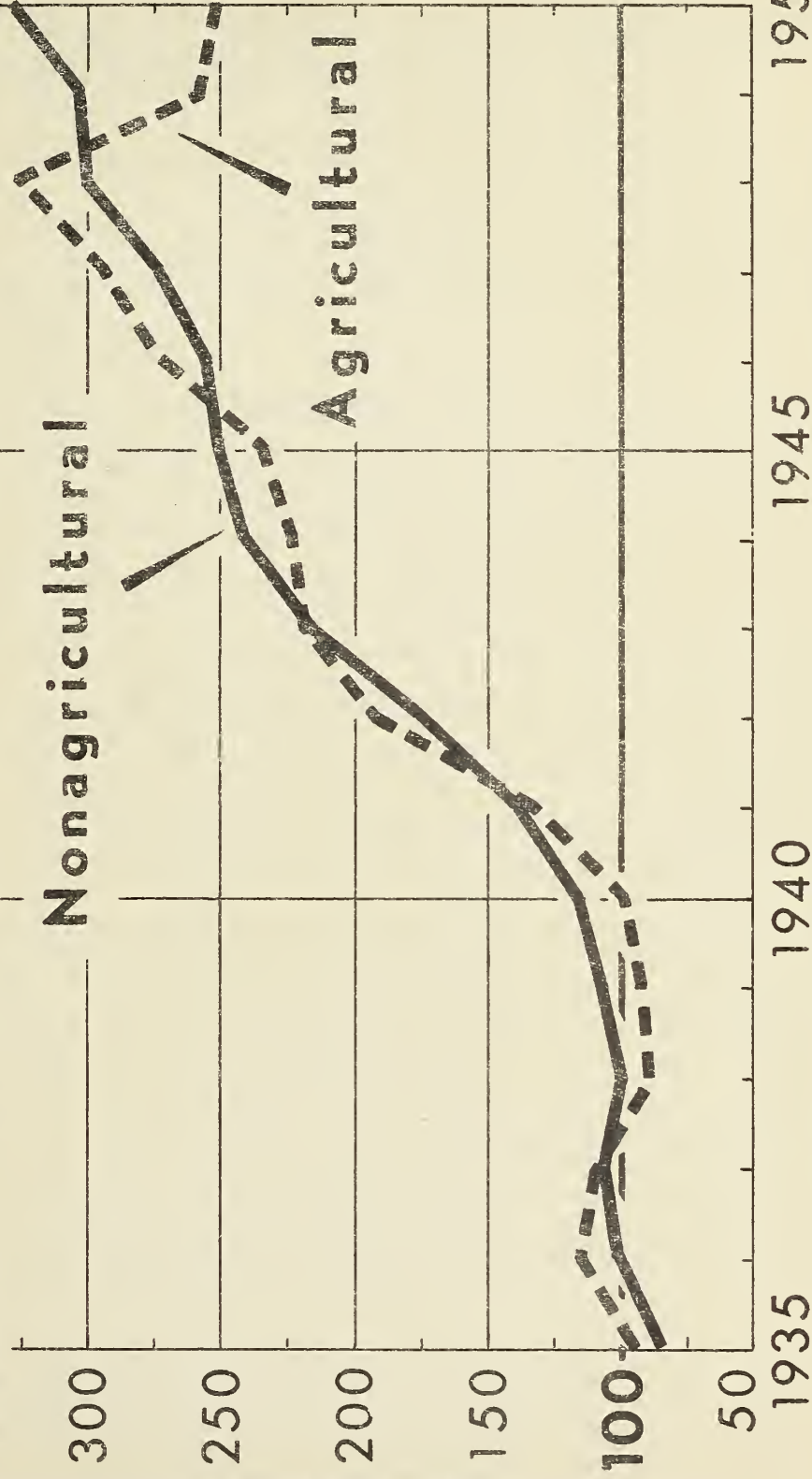
# THE SWITZERLAND ALPS ALPINE RESORTS

SWITZERLAND  
ALPINE RESORTS



# FARM AND NONFARM INCOME

% OF 1935-39



CALCULATED FROM DATA ON TOTAL AND NONAGRICULTURAL PERSONAL INCOME PUBLISHED  
BY THE DEPARTMENT OF COMMERCE. 1950 DATA PARTLY ESTIMATED.





AUG 29 1962

C&amp;R - PREP.

## THE FOOD SITUATION

Address by Secretary of Agriculture Charles F. Brannan at Food Trades Luncheon, National Retail-Owned Grocers, Inc., Chicago, Illinois, Monday, February 19, 1951, 1:00 p.m., CST.

I am glad to be here today to talk with you about some of our mutual food problems. It is always a pleasure to associate with a live-wire organization. But it is also important in these days of defense emergency that we discuss the current aspects of food distribution.

Like many other persons, I have been greatly impressed by the remarkable advances made by the grocery trade in passing along farm products to the waiting public. What you have done in your handling of foods, in packaging, storage, sanitation, customer convenience, and in marketing methods in general, has practically revolutionized food distribution. Since the turn of the century, the grocery business has been tidied up and streamlined until it is a modern marketing miracle.

Your grandfather of the Gay Nineties wouldn't know how to act in one of your stores today -- no cracker barrel, no sugar scoop, no cat sleeping on the potatoes. Instead, foods sealed in transparent paper, stored in frozen packages in spotless white-enamel chests, self-service even of meats, colorful shelf displays, ceilings flooded with light, purchases conveniently itemized on a cash register tape -- to your grandfather these would outdo imagination.

But you have long since outgrown the stage of comparison with the Gay Nineties. Your present-day advances are in a class by themselves. It would take a long time just to mention the advances you have made in the two fields of refrigeration and packaging alone.

I do want to take a moment, however, to commend you on your cooperation with the Department of Agriculture in the special training courses on the handling and displaying of fresh fruits and vegetables and the similar courses on the merchandis-

ing of poultry and eggs. By applying the improved practices, you are reducing food spoilage and waste, increasing sales, cutting down losses, and serving your customers better foods at less cost.

You are likewise participating in other measures to reduce the charges which must be passed on to the consumer. Among current projects are the new check-out counters -- the Redi-chek and the Simplex -- developed by the Department in co-operation with the trade with a view to further improving service and lowering costs in retail food stores. Both types of counter are designed to pare down the time-consuming details of checking out a retail order.

Aside from your steady improvements in marketing, you grocers, as primary distributors, are playing an important role in the defense emergency. Last summer when the public made a run on sugar, you calmed down hysteria by prominently displaying your supplies and readily filling all orders.

Your cooperation in the Plentiful Foods Program is another distinct service to your customers and your country. This program not only helps level off the surpluses in food distribution. It makes sense to the housewife, the food industry, the farmer, and the country as a whole.

We know, of course, that the defense program, by boosting employment and consumer incomes, has resulted in greater demand for food products. Prices of some foods have risen to new highs, despite the relatively large supplies of most foods being marketed this winter. A decreasing supply of durable goods will turn more purchasing power to food. Along with these defense pressures, naturally, the continued population growth and the rising per capita consumption also tend to heighten the demand. Although food supplies available for civilian consumption in 1951 probably will be a little larger than in 1950, they are not expected to keep pace with the expansion in consumer demand. Price pressure will continue, and the cooperation of grocers with ESA in holding the line will be daily more vital.



I know you will agree with me that your cooperation in the price field is very important to economic stabilization. But it is important also in other ways. It is a demonstration of the American way of doing things, of our system of free enterprise in contrast to totalitarian dictatorship. The efficiency of our food distribution system cannot be approached, much less matched, by the government-controlled retail outlets behind the Iron Curtain. Free men operating in a free society speed our food from family farms to the family table. It is for the right of you grocers to perform this function, as well as for other rights of free men, that we are now arming to check aggression by communist dictators.

The free world as a whole this year is in a relatively fortunate food position, the best supply position it has known since the end of World War II. The free world food position is definitely superior to that of the Iron Curtain countries. Indicatively, there has been a vigorous increase in productive efficiency and capacity in the countries of the free world which is substantially in advance of the so-called Iron Curtain areas.

Our own production and consumption of food and feed products in 1950, as you know, continued on high levels. In all but a few Latin American countries per capita consumption of food is at an all-time high. The major food surplus-producing countries of the British Commonwealth are maintaining high levels of production and consumption. Most Continental European countries also have continued to increase their food production and consumption levels. In the Near East the 1950 harvest of all but a few crops was unusually good.

The most notable exception to this situation is India, where, because of floods, droughts and earthquakes, large imports are needed to prevent starvation. India's foodgrain production may be the smallest in years, about 7 percent below the recent annual level. President Truman has asked Congress to provide necessary exports of wheat from the United States, in accordance with our American and

humanitarian tradition.

I am sure that you people realize more than most elements of our economy the importance of abundant food supply. So I am going to talk with you about that aspect of our situation.

As you know, our farmers have kept the stream of food distribution abundantly full. Our position at the moment is good. But we are having to revise our standards of what constitutes "adequate" supplies. While present stocks of feed grains, for instance, have been considered more than adequate for normal needs, they already are beginning to show the inroads of defense requirements.

Our stocks of feed grains last October totalled 31.2 million tons but by next October they may drop to 24 million tons. Our record corn carryover of 860 million bushels may shrink about a third by next fall. We have suggested a goal of 90 million acres of corn for the current crop year. If we reach that goal, with good weather, we can maintain our large supplies. If we harvest a short crop, farmers will be forced to curtail livestock and poultry production. A situation such as this could become very serious.

It would be a good thing to have an even larger corn crop if other grains could be ignored. But we need other grains, too. We have suggested general acreage guides to assist farmers in planning all-out production. The over-all goal is the highest possible level of output for those crops which will be needed most. While we have not announced specific guides for livestock, dairy and poultry products, it is important that livestock production be kept at high levels. Nevertheless, farmers must plan this production with close attention to the feed situation. The adequacy of feed grain supplies, therefore, becomes of crucial importance.

There would be no point in hiding the fact that our agriculture is confronted by a tremendous production job. During the past few years our farmers have been

producing around 40 percent more than they did in the period from 1935 to 1939. This year we are asking them to raise their sights still further -- to establish another new record of farm output.

But while we recognize the size of the job, we also have a great deal of confidence in the skill and hard work of American farm families. We recognize that our agriculture has some big assets to work with; one of the biggest is scientific research.

Most of you know the role science has played in producing our abundant corn crops during and since the depression years of the early 'thirties. The story of hybrid corn goes back to early in the century, but it has swung into wide-spread public attention in the last two decades. In 1933 only one acre of corn out of each thousand in the United States was planted to hybrids. Last year hybrid corn represented 77 percent of our acreage. Hybrids boost yields by an average of about 30 percent -- that adds up to three-quarters of a billion extra bushels of corn every year. To put it another way, the increased yields from hybrid corn are enough for an extra 35 pounds of pork for every man, woman, and child in the United States.

Science, of course, plays a prominent part in all our farm production potential. The success of scientists determines how rapidly disease and other threats can be overcome and, in many instances, such as corn, how much and how fast production can be increased. In the last 25 years research has helped bring about an increase of 45 percent in crop yields, a 20 percent increase in milk per cow, and an even greater rise in the number of eggs per hen. It has produced disease-resistant crops, improved livestock, and better methods for the control of insects and weeds.

Let me mention one current research project that is of basic concern. Many of you remember the enormous damage to wheat caused in the early decades of the century by a disease known as stem rust. Scientists developed wheat varieties which resisted the rust, and for about 15 years we have been comparatively free of the



damage. Last summer for the first time a new and virulent race of rust broke out over most of the Nation's bread basket. It caused serious damage in spring wheat areas.

Already scientists are working on an intensive breeding research program to develop a new rust-resistant variety of wheat. Tests are under way this winter in South America, where rusts of the new race exist. One variety in northern Mexico and some lines in experiment plots in this country have been found resistant to the new rust. Without science, our wheat crops, particularly our spring wheat crops, could be seriously impaired for some years. At best, it will take several seasons to develop new rust-resistant varieties. In the meantime we can hope that weather conditions won't be too favorable to the wheat rust.

Research in the field of mechanization also has been of immeasurable benefit to the farmer. We now have nearly four million tractors on farms. They have released for food production 15 million acres formerly required to produce feed for horses. But more important by far, they have enabled farmers to produce a great deal more with fewer workers. Our farmers have built up their mechanized equipment remarkably in the last decade. This city of Chicago, as a center of farm implement manufacture, has been a basic contributor to this mechanization. Nearly 3-1/2 times as many farms have milking machines now as in 1941. There are more than three times as many corn pickers now as in 1941. There are nearly three times as many combines on farms, a million more trucks, and a million and a half more autos.

Nor is mechanization at a standstill. Like the farmer's production, it has been continually growing. Under study by the Department of Agriculture now are machines and attachments that cultivate, fertilize and spray for weeds or insects in one pass over a field. New farm-type grain driers may make possible the shelling of corn right in the field.

All of these developments assume an added importance in a period of emergency. They conserve time and labor and they make possible great strides in food production. But, mechanization in a time of emergency has another facet. Machines need repairs and replacement; they require materials in short supply. So, farmers become claimants for a portion of the Nation's scarce materials -- and our food supplies will depend more than ever before on the continued efficient operation of farm machines.

Under the Defense Production Act the Department of Agriculture becomes the claimant agency for machines and materials for farm operations. We are also the claimant agency for food processors and food distributors. To facilitate our task, we have set up in combination with existing staff and offices an Office of Materials and Facilities and other special units.

We have no direct responsibility for determining when or whether price ceilings and rationing should be imposed. That rests with the Economic Stabilization Agency. However, under the Defense Production Act the Department of Agriculture determines legal minimum prices for agricultural commodities. We have done this and have turned over our findings for the guidance of ESA.

Now I want to take just a few moments to talk about farm prices. We have heard people say that farm prices, in relation to prices of other consumer goods, have been rising unreasonably. That is not the case. Neither is it true that food prices are exempted from price control nor that farmers have been given special or privileged treatment in the laws and regulations for checking inflation.

Along with prices of most other raw and finished goods, prices received by farmers for many commodities have risen in recent months. But prices received by farmers since the Korean outbreak have advanced only 21 percent compared to 32 percent for textiles and to much higher percentages for many metals. Moreover, farm prices had fallen sharply in 1948 and 1949, so that today prices received

by farmers still have not regained the level of January 1948, while prices paid by farmers have hit a new all-time high. Meanwhile, corporate profits, wages and average personal incomes are setting new records.

I know that you grocers want the major facts concerning farm prices. You deal directly with the public. You can do a lot to correct false impressions. Here are a few facts that I hope you'll pass along to your customers:

1. Farm commodity prices dropped an average of 24 percent in 1948 and 1949. In spite of the recent upswing, by mid-January of this year their level still was 2 percent below the peak of two years ago. Farmers at the same time have continued to pay high prices for the items they required and, in consequence, have watched their net realized income tumble three years in a row.

In 1947 the realized net income of farm operators was \$17.8 billion before taxes. And, of course, that is not profit; it covers the farmer's own labor as well as return on his investment. In 1948, while industrial wages and corporation profits were climbing, farmers' net income went down to \$16.5 billion. In 1949 it went down to \$14 billion. In 1950 it dropped still farther to \$13 billion -- nearly \$5 billion below the post-war peak while other segments of our economy were soaring to new records.

2. No other major segment of our economy went through such a severe economic setback. While corporate profits dipped somewhat in 1949, in 1950 they recovered and reached a new record peak. Wages have gradually risen, and hourly wages of factory workers last year were 18 percent above 1947. To state it another way, in 1950 income from agriculture was running 2-1/2 times the 1935-39 average while all nonagricultural income was almost 3-1/3 times and corporate profits more than six times 1935-39.

3. Food prices have risen less than prices of some other commodity groups in the consumer price index of the Bureau of Labor Statistics. From June to December,



food went up 5.3 percent while clothing rose 6.2 percent and house furnishings rose 10.6 percent.

4. Although the over-all level of prices received by farmers in January was 10 percent above parity -- largely because of high livestock prices -- most prices of farm commodities to the producer are below parity. This means that they are below a statutory measure of fair relationship between prices received by farmers and prices paid by farmers. Farm commodities above parity are under the price freeze. Even if those below parity should reach parity level, consumer food costs would rise less than 5 percent; it would mean less than a 2 percent rise in the over-all cost of living. Furthermore, it is unlikely that such a rise will occur. There are no indications, for instance, of substantial rises in the prices of potatoes and oranges, which have been about 50 percent of parity and which represent about one-third of the 5 percent difference.

You food retailers share with the Department of Agriculture in a particular interest in food prices. Your cooperation in correcting the misstatements which attribute unreasonable rises to farm prices will be most helpful. It will be an important contribution to the defense effort.

The Department has learned that it can count on your assistance in many specific measures in food distribution. Some of these I have already discussed, such as the Plentiful Foods Program and the special training courses on food merchandising. Your help will be needed in other ways -- on our retail and wholesale food advisory committees, in task groups to work on special distribution problems, and in keeping us informed of your industry's needs for materials and facilities which are in short supply.

I want to emphasize again the vital nature of the role you play in the defense emergency. Your performance as free men in getting food from the Nation's farms

to its tables immeasurably outlines the totalitarian pattern. You are an important link in the system of free enterprise which has raised our country to the highest levels of food production and consumption in the history of the world. You have a basic responsibility and a challenge to keep our food distribution at peak efficiency and in the forefront of progress.

I am confident that you will meet that challenge head on.

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WORKING TOGETHER FOR CONSERVATION

U S DEPT. OF AGRICULTURE

AUG 29 1962

Talk by Secretary of Agriculture Charles F. Brannan at annual meeting of National Association of Soil Conservation Districts, Oklahoma City, Oklahoma, the evening of Tuesday, February 20, 1951.

FOR RELEASE - Feb. 20, 8 p.m. CST

I consider it an honor that you have invited me to have a part in this occasion.

At this moment, I feel about as I do when I am introduced to some handsome young fellow six feet tall, and his beaming mother tells me he is the baby of the family. Among farm organizations yours is something of a baby. In July of this year you will become officially five years old. Even if you date your age to the Washington meeting in January of 1946 when your founders instructed Mr. E. C. McArthur to explore the possibility of bringing the state organizations together in a national association you are only a month over five years old.

Seldom do five years bring so much growth, in numbers, in stability, and in clarity of purpose.

In these days the whole civilized world is wondering what course the future will take. If the things we hold dear are sustained, and if human freedom is to prevail -- as we are determined it will -- one of the important factors will be that the soil conservation movement came into being in the United States when it did and as it did.

If ever we needed to assure big crops for the future, that time is now.

We have heard more about surpluses than about shortages in the last few years -- at least I have. But very few of the world's people have the comfort of a surplus these days; and I am sure that in the long swing of history our ability to produce an agricultural abundance and keep on producing it will give us an advantage of tremendous importance.

For one thing, we are eating more food these days. Even with what appears to be a shortage of certain meats, the average person in the Nation is eating much more of those meats today than he was ten years ago. The apparent shortages here and there are really the result of our better standard of living. There are individual cases in which hardship exists as a result of higher prices, but the prosperity of our agriculture reflects by and large a better standard of living throughout our economy.

During any war or period of preparation for defense, there appear shortages of some consumer goods which depend upon scarce metals or which require certain kinds of manufacturing plants that may have been converted to war work. And this means that, with fewer of those durable goods to buy, people spend relatively more money for food. I for one expect the American family of average means to bid for a better diet during the years ahead.

It is only prudent for us to maintain or build up our stocks of farm products so that they are available when we need them -- our above-ground stocks. Whatever emergency situations may confront us, we shall be better prepared if we maintain our visible reserves at a high level, and keep up a large carry-over of storable basic commodities.

Then too, this country, with a spirit stemming from its great humanitarian tradition, has undertaken to send food to drought areas of the world, and to other areas where famine is threatening. This ability to send supplies overseas when they are needed takes on added importance today. By doing so we may be able to help keep important parts of the world from becoming attractive hunting-grounds for the forces of aggression.

Important as they are -- our above-ground supplies, our warehouses full -- are only a part of what we need to store up. We must maintain in our soil the potential for abundant production which can continue for years if the need continues.



Moreover, our own population is growing. In 25 years it will not fall far below the 200 million mark at present rates of increase.

This whole task, meeting our emergency responsibilities and maintaining our productive potential for the future, depends upon the same land, approximately one and three-quarter billion acres, that we now have.

If we are to be able to feed 175 to 200 million people a short 25 years from now, and be ready to take on part of the job of feeding more millions outside the United States, we must keep our farms productive; more than that, we must increase their productivity.

Our plant breeders can turn out better plants; our scientists can devise new protective chemicals. We can find better ways to feed livestock and poultry. Our machinery manufacturers can make faster and more efficient machinery to multiply the work of a man's hands. Each of these is an essential part of the great task, and each has contributed heavily to the abundance we now enjoy. But that is not the whole answer to our production problem. Far from it. The entire Nation and a large part of the rest of the world depend <sup>in</sup> upon one thing which is the farmers' care, and that is our land. In spite of publicity given to water-culture and other laboratory-scale practices which grow plants without earth, as far ahead as I can see, we shall have to count upon the land -- and for us in the United States, essentially the same land we are now farming -- to feed us and clothe us, to grow our wood, and provide farm raw materials for industry.

It is not enough to look back to what we think our soil may once have been and try to reestablish some past balance. When early settlers first came into most of the land that is now the United States, it was producing almost no surplus. Year in and year out the grass grew or the forests stood, harvested

only by occasional fires, by the grazing of wild animals, or to a small extent by the Indians who lived here in relatively small numbers. There existed an almost unproductive balance.

In the modern world we cannot survive on that basis. We must, in order to survive, produce a surplus which can be harvested and hauled away and used great distances from the soil that produced it. The amount of that surplus must increase as the years go by.

We must recognize that we have taken the geology of large areas of the earth's surface into our own hands. Man is becoming and in many places has already become a more important geologic factor than the glaciers were.

And man's effect on the land will continue as long as there is an inhabited earth. If man is to survive and enjoy increasing abundance we must find and establish a new kind of balance, a dynamic balance of use and care. As it is today, we have learned much that is essential about how to use our soil wisely, but we have only begun to apply that knowledge. We know for sure that unwise land use can waste its productivity and bring on either a decline in production or the necessity for increasing efforts to maintain production.

We are learning how to care for our soil, and use it, so that we believe we will be able to make it better and better as the years go by -- this is a fact of untold importance. It marks a new epoch. As I see it, we must apply our knowledge promptly and fully to underwrite a stable, strong civilization with a future of freedom. That is why I said to you, as I did a little bit ago, that the development of the soil conservation movement in this country when and as it developed, may have been of historic moment.

In the beginning of the Forest Service, the oldest of our conservation agencies, the United States first became aware of conservation as a national concern. The Forest Service has established a fine record which has in a sense been the example for younger conservation agencies.

Soil conservation as an organized movement is not very old; it is hard to say just when or how the idea began, but it is not hard to say who began it. It is an honor for me to be associated with Dr. Hugh Hammond Bennett, who will celebrate his seventieth birthday in just about two months. His boundless energy, his great devotion to this work were without question the personal forces which gave the movement its great impetus in the United States.

In recent years, there have been several more or less concurrent legislative developments of our soil conservation activities. I have already mentioned the Forest Service; the major agencies concerned directly with soil conservation have been the Agricultural Conservation Program of the Production and Marketing Administration and the Soil Conservation Service.

Let us look at the Agricultural Conservation Program of the Production and Marketing Administration. It has always been a very elastic kind of program, as any such great undertaking must be. It was originally conceived in the 1930's. You will remember that, due to the Great Depression, the Nation was then not eating very well and not using as much farm production as it needed. Land was taken out of cultivation to bring supply back into some kind of balance with what the markets could use. The Agricultural Conservation Program had its inception as a way of keeping the land from eroding and being lost, as it was taken out of active use, and to do something better with it than let it grow up to weeds. The conservation payments helped cover the cost of certain recommended conservation practices the farmer was asked to adopt. It got results, and it helped a lot of farmers to avoid foreclosure of their mortgages.



We may be grateful now for the strength of the agriculture which that movement helped to preserve and build.

Through the years this developing program has been studied at the national, state, and county levels, and adapted to the local areas by the PMA County Committees. Perhaps some of you are members of, or have been members of one of those committees. Certainly the committeemen are among your friends and neighbors.

By and large there is no more highly respected group of farm leaders across the country than the PMA County Committeemen.

We hope that program can continue. To speak with complete frankness, the incentive of money paid has in many cases been just the incentive it took to get adopted the conservation practices the national interest required. There is no need to apologize for this kind of subsidy or the need for it. We offer certain heavy industries an assured market, and we offer them advantages such as rapid tax amortization, to get them to expand and produce as the Nation requires. We have long aided industry with tariffs. We subsidize postal service and airlines and shipping. We have not hesitated to do what was necessary in the public interest, and soil conservation is vital in the public interest.

Now let us look at the Soil Conservation Service. The way to look at this agency is from the standpoint of the districts because the most important work, and by far the greatest volume of work of the Soil Conservation Service, depends upon the cooperation of the districts.

There is, I am afraid, confusion in the minds of some people about these Soil Conservation Districts. Some people still think of a Soil Conservation District as some part of the Federal Government by which the Soil Conservation Service tells farmers how to farm. You, in this Association, know the facts better than that. You know that in every state of the Union and in the



Territories, the legislatures have adopted their own laws authorizing the formation of Soil Conservation Districts. Under the provisions of these laws, local people have organized Soil Conservation Districts, have voted them into existence. There are now 2,330 of them, and they embrace about three-fourths of the Nation's agricultural land. These districts are planned, managed, and administered by the local people. You Supervisors . . . some states call you Commissioners, or Directors . . . are the elected representatives of those people.

The laws provide ways by which any Soil Conservation District can dissolve, and cease to exist, if the people it serves do not like what it means to them.

You might be interested to know that there have been, to my knowledge, only two cases in which Soil Conservation Districts have disbanded. One of them became the site of a giant atomic energy plant; and in the case of the other, those farming most of the area promptly voted themselves into an adjacent district.

I have been emphasizing that word, District. You are a kind of local free enterprise. Nobody can force membership, cooperation, or participation in a Soil Conservation District upon you. The Department of Agriculture does not set up districts and run them. Neither does the Department of Agriculture make districts successful. Only the people who live there and farm there can do that.

These two great soil conservation programs -- the Agricultural Conservation Program of the Production and Marketing Administration and the cooperative work of the Soil Conservation Districts and the U.S. Soil Conservation Service -- in the natural course of their work have brought their lines of activity closer and closer together. Where formerly the similarity of their work was more or less coincidental, their primary objectives are now essentially the same.

Thus it has come as no surprise to many of you, I am sure, to hear the recent announcement calling for these two great programs to work together in the closest of cooperation, and with a single line of purpose.

The Soil Conservation Service technicians in your districts are paid by the Federal Government and their activities are administered from the Department of Agriculture. Also, the Agricultural Conservation Program of FMA exists under Federal law, and the money is paid from the Federal Treasury. These two can be brought together by the Department of Agriculture. We have now required that they work together closely.

Henceforth, also, the Agricultural Conservation Program will be planned at the state and national levels with the direct assistance of the Soil Conservation Service and the U.S. Forest Service.

Soil Conservation Districts are a different matter. Your districts do not exist by Federal law but under State and Territorial law. The Federal Government can offer cooperation with you, but it cannot compel it.

The directives I have recently issued require that not only SCS technicians but also the FMA County Committees extend every cooperation to your districts, and I hope you will take advantage of it to the fullest extent. Upon your doing so depends the success of our present efforts to bring these two great conservation activities together. As I said, the Federal Government cannot make a district successful but by these new orders the Department hopes to promote greater effectiveness both in the Agricultural Conservation Program and in the work of your districts.

In connection with the issuance of these administrative orders, we have put down in words something that most of you have been working on for years. Informally it has been one of the great objectives of American agriculture for several years. Now it is the stated official policy of the United States Department of Agriculture. Let me read it to you, because I think the official wording is about right.

"The basic physical objective of soil conservation activities by the Department agencies shall be the use of each acre of agricultural land within its capabilities and the treatment of each acre of agricultural land in accordance with its needs for protection and improvement."

That is a tremendous assignment. If there were no threat to world peace, if we could direct our entire energies toward making that kind of farming part of the American tradition, it would take decades. Yet the world situation today and the imperative requirement that we be able to keep on producing abundantly for a long time to come make it even more urgent that we get about this work.

Our conservation work up to now is a vital beginning. It shows us not only how to do the job but it heartens us in our belief that we can accomplish it.

I know that there is more to farming than improving the land. You also have to make a living.

You have the daily, the weekly, and the yearly routing of things that somebody has to do and most of the time that means you have to do them yourself.

Agriculture is headed into difficult times in this country. The forces of world aggression are responsible, but there is no way out. So, we will have to head into the work that lies before us and take things as they come.

The Nation needs agriculture strong, and we need the things farms can produce. The Department of Agriculture will do everything it can do to keep our farms strong and productive.

The abundance we need to have always carries the risk of price breaks. With price support statutes on the books we can protect against that risk. Maybe, with times as they are, support programs will be called upon only in a minor way. But having the programs available will do a lot to break production bottlenecks on the farm.



"With those programs we can help direct farm production into the lines where the national interest most needs production.

The Department will also continue to do the many things it has been engaged in to help farmers become increasingly efficient. In addition, the present emergency necessitates new lines of work, including efforts to keep supplies and equipment going to our farms as they are needed.

But important as these things are that the Government can do for agriculture, only farmers can farm. You as farmers are the people the Nation depends upon, and to a certain extent the whole free world depends upon. There are a lot of things you have to do for yourselves.

That is the way we Americans like it. We cherish our independence. Most farm people would rather not have done for them anything they can do for themselves. That is partly why the Soil Conservation Districts have been so widely accepted.

That is why, also, our farm population is one of the world's great bulwarks of individual freedom. The world has its eyes on our family farmers. They are not collectivized, they are not oppressed peasants working for a handful of landlords. They are free citizens who operate their farms as they see fit. Their situation is the dream-come-true of millions of dispossessed people the world around. The United States is proud to have other countries learn about our family farmers.

In Asia today there are four people on the land for every one person who is at work in industry or at war or in some other pursuit. In the United States for every person on the farm there are more than five in the city. In the United States one person working on the farm can produce the necessary farm products for more than fourteen persons not farming. While most of the world's



people must stay on the land to live, our tremendously productive agriculture becomes a source of tremendous strength. You cannot measure the manpower of a nation today by simply counting men.

In the United States, as I have said, public interest requires that agriculture be kept strong and become more and more productive. It requires that the Nation through the Federal Government should in many ways help America's agriculture. Yet by their own productivity our farmers have become a minority. Through the use of modern methods they have made it possible for the majority of our people to work at other businesses and skills than farming, with the result that many of our people no longer understand the farmer's situation.

The city man who depends upon the farmer for food and clothing should know a great deal about that farmer. He should think of that farmer when he makes his decisions as a citizen. He must have the living facts.

To that end, you have a thoroughly sound and workable approach in the "Suggested Program for Greater Service." I have studied it and I hope you will study it if you have not already done so.

You have actually got two jobs to do, if you want to look at it in that way. One we have talked about this evening; it is the job of assuring the future productivity of our land. It is a tremendous job, it is an essential job. Nothing else can take its place.

But the other is the job that is in our newspapers every day. The thing the United States is mobilizing for, the thing the United Nations are fighting for in Korea, the thing the United States means most of all, IT is the right of people to govern themselves.

We in the United States not only think people should have that right, but we think they CAN do the job. We believe, we Americans, that people care enough about the importance of self-government that they will get together

and work at it.

You in your Soil Conservation Districts are in the front rank, in this matter of self-government. The diligence, the leadership, the ability with which you conduct the affairs of your local districts is a field demonstration the world is watching and should be watching.

With the history of the world in the balance, we dare not weaken at any point. Our boys in Korea can hold the line there. Our representatives in the United Nations can make our influence felt in the field of world organization and cooperation. But only the people -- the people who most of the time don't think much about their importance to the world, can show that we believe in and will live the life of disciplined self-government.

The success of the Soil Conservation Districts in the United States is as important in the control of the world's spiritual erosion as it is in the control of the Nation's land use. I urge that you never underestimate the scope of that task.

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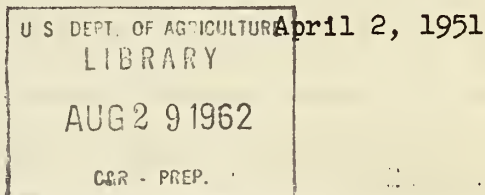
UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary

1951

Washington, April 3, 1951

*Apr 3, 1951*  
There follows the text of a letter from Secretary of Agriculture Charles F. Brannan to the Hon. Robert L. Doughton, Chairman of the Committee on Ways and Means, House of Representatives:

Hon. Robert L. Doughton, Chairman  
Committee on Ways & Means  
House of Representatives



Dear Mr. Doughton:

My attention has been called to an article entitled "The Taxable Income of Cooperatives" by Professor Roswell Magill and Mr. Allen H. Merrill, appearing in the December 1950 issue of the Michigan Law Review. Because the article follows the line of argument used by the National Tax Equality Association, cites material of this tax-exempt organization, and is being distributed by it, I feel compelled to write you about it.

The tax status of cooperatives has been the subject of much discussion in both official and unofficial circles and has many ramifications. The Secretary of the Treasury made a statement relating to certain phases of the matter before your committee on February 5, 1951. The article in the Michigan Law Review is, of course, not addressed to the Secretary's statement and the comments contained in this letter reviewing the article are not addressed to the statement.

The major assertion in the article is that all net margins, at least of agricultural cooperative associations, regardless of contractual obligations entered into by a cooperative with its patrons prior to the business transactions or as a part thereof, that result in the net margins and under which the cooperative is required to account to its patrons on a patronage basis, are taxable income in its hands. Although the article has numerous references and citations to court cases, none upholds this position. One case, involving the Railway Express Agency, that is listed as indicating that such net margins may be taxed suggests the exact opposite, if it suggests anything. This case will be discussed later in this letter.

In sharp contrast to the total absence of judicial authority for the assertions of the authors, the position of the Bureau of Internal Revenue, of the Tax Court of the United States, of every Federal District Court and of every Circuit Court of Appeals, and there have been several of them, that has passed upon the question are squarely and unequivocally contrary to the unsupported, wishful thinking of the authors.

(more)

3811 (Agriculture, Washington)

USDA 825-51



The question of whether the net margins of a nonexempt cooperative constitute taxable income to the cooperative has been passed upon by the courts in several cases. To read the article under review one might easily assume that this is a new and a novel question. It is highly significant that the authors do not even claim that the definition of taxable income as given in the Internal Revenue Code 26 U.S.C. 22 (A) is not broad enough to include the net margins of cooperatives. Indeed the authors could not make this claim because the definition states that "gross income" includes gains, profits and income derived "\*\*from businesses \* \* or gains or profits and income derived from any source whatever." Could any definition of "gross income" be more comprehensive?

Of course, as shown by the definition of "gross income," income taxes are paid only on income. Unless money or other property has the status of income in the hands of a taxpayer no income taxes may be collected thereon from that taxpayer. And, of course, Congress has no power by legislative fiat or edict to make receipts income that are not in fact income.

In Nicholas v. Fifteenth Street Co., 105 F 2d 289, decided by the Circuit Court of Appeals for the Tenth Circuit it was said:

"But the power of the Congress to lay and collect taxes on income is confined to that which is actually and essentially income; and income, as thus used, means the gain derived from capital, from labor, or from both combined. The taxing power in respect to income cannot by legislative definition be extended beyond that scope. That which is not actually and essentially income cannot by definition be subjected to such a tax. \* \* \*"

It is not possible within the confines of a letter to point out all the misunderstandings and fallacies in the article. Only a few of the more serious ones will be discussed. In the "Conclusion" it is stated, "The fact that the customer is also an owner (of the Cooperative) makes the profits on dealings with him all the more clearly income, since he controls the manner in which the corporation does business with him." The authors earlier make it plain that by profits of a cooperative they mean its "net margins." Now let us analyze the statement that the so-called profits of a cooperative are more clearly income than the income of other corporations. The authors would have us understand that farmers, by forming a cooperative to function on a non-profit basis, are thereby defeating their own ends. They would be better off, according to the authors, to form a corporation for profit.



In State after State statutes have been enacted authorizing the incorporation of non-profit corporations to engage in business. These statutes, the authors would have us believe, were enacted in vain. They would have us think that they are abortive and self-defeating.

The concept of the non-profit business corporation is one that runs all through the law. In Section 402 (c) of Part IV (49 U.S.C. 1002(c)) of the Interstate Commerce Act it is provided that "The provisions of this Chapter shall not be construed to apply (1) to \* \* \* a group or association of shippers in consolidating or distributing freight for themselves or for the members thereof, on a non-profit basis, for the purpose of securing the benefits of carload, truckload, or other volume rates, \* \* \*." On February 6, 1950, the Supreme Court of the United States in the case of United States v. Pacific Coast Wholesalers' Association, 338 U.S. 689, passed upon the meaning of non-profit as used in the quotation from the statute.

The Association is a cooperative freight forwarding organization composed of dealers in automobile parts in Los Angeles, California. Members of the Association purchased less than carload or truckload lots of automobile parts F.O.B. Los Angeles. The small lots of parts were then consolidated into carload or truckload lots and the net savings effected were then paid on a patronage basis to the members. Because the Interstate Commerce Commission found that the Association was not a non-profit association and that it was holding itself out to the general public as a forwarder of freight, it held that the Association did not qualify for exemption. The Association then brought suit challenging the correctness of the ruling of the Interstate Commerce Commission. A three-judge court (81 F. Supp. 991) unanimously set aside the ruling of the Commission. In doing so the Court quoted the following from the report of the Commission:

"Simple logic would dictate the conclusion that in handling shipments on which freight is borne by nonmember-consignors, the association is operating for hire and therefore for profit. \* \* \* These differences or 'savings' are paid to the member consignees, regardless of the fact that the charges were collected from the consignors."

Following these quotations the Court said:

"When this principal-agent relationship between member-purchaser and the association is borne in mind it is clear that there is no profit to the association from the activities described in the Commission's report, 49 U.S.C.A. Sec. 1002(c); and it is equally clear that the association, as agent for the members, does not 'hold itself out to the general public to \* \* \* provide transportation of property \* \* \* for compensation.' 49 U.S.C.A. Sec. 1002(a)(5)."

Now the net savings of the Association that were paid to its members, on a patronage basis were the net margins of the Association. Because the Association was engaged in paying such net margins to its members on a patronage basis in pursuance of an understanding to do so the Court held "that there is no profit to the association." The Supreme Court unanimously approved the decision of the lower court. Although this was not a tax case, it might just as well have been. Obviously the Association could not be a profit and a non-profit association as to net margins at the same time. As the courts found it was a non-profit association as to the net margins, it follows it was not liable for income taxes on such margins. The members of the Association controlled it, and according to the unique and inverted reasoning of the authors of the article under review this fact should have operated to make the net margins "more clearly income" than would otherwise be the case.

If as the Supreme Court held in the Wholesalers' Association case a cooperative association of dealers in automobile parts may organize and operate a cooperative whose net margins are not profits because of the way it is organized and the payment of patronage dividends, then clearly an association of farmers may be so organized and operated that its net margins are not profits.

The authors state on page 180 of the article under discussion that "The issue of whether net margins are taxable to cooperatives under the Sixteenth Amendment, however, has never been resolved by litigation." In view of the substantial number of cases in which the Courts have passed upon the question "of whether net margins are taxable to cooperatives" the authors were evidently decoyed into making this statement. The decision of the Supreme Court in the cooperative forwarding association case discussed above is a holding that a properly organized and operated cooperative may have no profits and hence no liability for income taxes. In connection with the quotation from the article appearing at the beginning of this paragraph, there is a footnote the pertinent portions of which read as follows:

"The decision of the Circuit Court of Appeals for the Second Circuit, in Railway Express Agency v. Commissioner, (2d Cir. 1948) 169 F. (2d) 193, cert. den. 336 U.S. 944, 69 S. Ct. 808 (1949) indicates, however, that the taxation of nonexempt cooperatives would raise no constitutional problem. In that case Railway Express Agency, Incorporated, was owned by seventy railroads, each of which had agreed with the Agency that at the end of each year the net operating proceeds of the Agency (gross revenue less expenses, including depreciation) would be distributed to the railroads, each of which was to receive a proportionate share according to the amount of express business it had handled on its line. The Commissioner



asserted that such net proceeds were taxable to the Agency, even though so distributable. The Court sustained the commissioner, stating that "if the corporate device is used for business advantages, there is no just ground for protest when it results in tax liability." It is to be noted that the Agency in the Railway Express Agency case, which had all the essential characteristics of a cooperative, should not have been taxable on such distributions under the Treasury rulings, since it had a pre-existing obligation to distribute its net proceeds from operations to its stockholders on the basis of the volume of business transacted with them."

The statement just quoted loses all contact with reality. It has no relation to the facts or the law. Aside from a relatively minor matter of no bearing on the question being discussed, the Circuit Court of Appeals affirmed the decision of the Tax Court of the United States which involved the contracts of the Railway Express Agency with the various railroads and in pursuance of which "the net operating proceeds of the Agency" were paid to the railroads on a patronage production basis for services rendered by them in furthering the business of the Agency. Completely contrary to the statement of the authors, all of the "net operating proceeds" were deducted by the Agency in computing its income taxes; and contrary to the statement of the authors, the Agency paid no income taxes thereon.

The Agency, it was found, had taken excessive depreciation which of course reduced its "net operating proceeds." The Commissioner of Internal Revenue held the Agency must pay income taxes on the amount represented by the excessive depreciation. The depreciation was figured on the basis of depreciation rates approved by the Interstate Commerce Commission and which rates were a part of the contracts that the Agency had made with the railroads. The Bureau of Internal Revenue found that these depreciation rates were too high and hence held the Agency had taken excessive depreciation. The Agency was required to pay income and excess profits on the amount represented by the excessive depreciation but on its "net operating proceeds" it paid no taxes. In brief, it paid taxes on amounts that were not covered by the contracts.

If the Railway Express Agency case has any bearing on whether "net margins" of cooperatives are taxable it is that such "net margins" may be excluded in computing the income taxes of a cooperative if the cooperative is under a prior obligation to distribute such net margins on a patronage basis.

In a publication issued by the Treasury Department in October 1947 entitled "The Taxation of Farmers Cooperative Associations" the position of the Bureau of Internal Revenue clearly based on adjudicated cases regarding the exclusion of patronage dividends from corporate gross income is given as follows:

"The exclusion of patronage dividends from corporate gross income is not the exclusive privilege of cooperation associations. Any corporation making payments to its customers under the conditions prescribed by the Commissioner of Internal Revenue and the courts is granted the same treatment. It should be noted, however, that in the case of cooperatives, unlike the case of the typical ordinary corporation, patrons receiving rebates are also the owners of the business.

"The conditions which the cooperative associations must meet if refunds made to their patrons are to be excluded from the gross income of the association may be briefly stated. First, there must have existed at the time of the transaction with the patrons a contractual or other definite obligation on the part of the cooperative to return any net proceeds to him in proportion to patronage without further corporate action. Second, if only members of the association are eligible to receive patronage dividends, exclusion is not allowed on that portion of such distribution which represents profits from transactions with non-members. On the other hand, it is held to be immaterial whether refunds are distributed in the form of cash, stock, certificates of indebtedness, or credit notices. All such forms of payment are regarded as the equivalent of cash distributions in the hands of patrons, the theory being that they are cash payments automatically re-invested under provisions of the charter, by-laws, or other contracts previously agreed to by the patrons."

I stated earlier that not even one lonely case was cited by the authors as authority for their assertions regarding the taxability of net margins of cooperatives. Now let us refer to some of the judicial decisions requiring the position of the Bureau of Internal Revenue of the Treasury Department:

One of the first cases to pass upon the taxability of net margins in the hands of a cooperative is that of Appeal of Paducah and Illinois Railroad Co., 2 B.T.A. 1001. The Board of Tax Appeals, now The Tax Court of the United States, held that the net margins of this cooperative bridge company that was owned by certain railroads which margins arose from the rates, tolls, and charges made



by the cooperative and which the cooperative was required by a prior mandatory obligation to distribute on a patronage basis to the owner railroads in the form of preferred stock were excludible in computing the net taxable income of the cooperative. In other words, the net margins were not income.

In United Cooperative, Inc. v. Commissioner, 4 T.C. 93, the Court in holding that the net margins that were required to be distributed to the member patrons on a patronage basis in the form of preferred stock were excludible in computing its income taxes said:

"However, this practice of excluding patronage dividends from gross income has been limited to those cases in which the right of patrons to such dividends arises by reason of the corporation charter, or by-laws, or some other contract, and does not depend upon some corporate action taken subsequent to its receipt of the money later so distributed, such as the action of the corporation's officers or directors. This limitation recognizes that if the money later distributed to patrons is received by the corporation without a legal obligation existing at the time of its receipt to later distribute it, it must be considered as the gross income of the corporation and, since there is no deduction permitted by statute of the amounts later distributed to patrons, it is taxable as such. See Midland Cooperative Wholesale, supra; Fruit Growers Supply Co., 21 B.T.A., 315, affirmed 56 Fed. (2d) 90."

The following quotation from the opinion in Peoples Gin Company, Inc., v. Commissioner 118 F. 2d 72 decided by the Circuit Court of Appeals for the fifth circuit briefly outlines the rule:

"When this income was received by the corporation there was no obligation to make refunds or rebates to stock holders. The profits from ginnings for stockholders, therefore, became a part of the gross income of the taxpayer, and the character of this income for tax purposes was not changed by the adoption of subsequent resolutions and by-laws."

In American Box Shook Export Association v. Commissioner, 156 F. 2d 629 the Circuit Court of Appeals for the ninth circuit said:

"In order to be a true cooperative, however, the decisions emphasize that there must be a legal obligation on the part of the association, made before the receipt of income, to return to the members on a patronage basis, all funds received in excess of the cost of the goods sold. Such an obligation may arise from the association's articles of incorporation, its by-laws, or some other contract."

The applicable principles were well summarized in Associated Grocers of Alabama v. Billingham, 77 F. Supp. 990, as follows:

"For the plaintiff to recover, it must be established that there was an obligation by the corporation to make refunds or rebates to member patrons when the incomes for the respective years were received by the corporation. Peoples Gin Co., Inc. v. Commissioner of Internal Revenue, 5 Cir., 118 F. 2d 72.

"Such an obligation must arise from the association's articles of incorporation, its by-laws, or some other contract, and must not depend upon some corporate action taken after its receipt of the money later distributed, such as the action of the corporation's officers or directors."

One of the headnotes to the case of Farmers Cooperative Co. v. Birmingham, 86 F. Supp. 201, reads as follows:

"Patronage dividends actually distributed by a cooperative, whether in form of cash, capital stock, certificates of indebtedness or notes, as well as those net margins of the cooperative distributed to capital reserves and merely credited or allocated to patrons under a pre-existing obligation are excludable from gross income for federal income tax purposes."

For some of the other cases reaching conclusions consistent with those given above see: Uniform Printing and Supply Company v. Commissioner, 88 F. 2d 75; Fruit Growers Supply Co. v. Commissioner, 56 F. 2d 90; Greene County Farmers Sales Assn. v. United States, 55 F. Supp. 123; and In Re General Film Corporation, 274 F. 903.

The following statement of the Supreme Court of the United States in the case of Commissioner of Internal Revenue v. Wilcox, 327 U. S. 404 is consistent with the cases cited above:

"For present purposes, however, it is enough to note that a taxable gain is conditioned upon (1) the presence of a claim of right to the alleged gain and (2) the absence of a definite, unconditional obligation to repay or return that which would otherwise constitute a gain." (Underscoring added.)

In this case the court held that an embezzler was not liable for income taxes on money he had embezzled because of his obligation to repay or return the money. Clearly the rule stated by the Court is as favorable to honest men as it is to criminals.

The irrefutable facts are that the courts have repeatedly passed upon the question of whether the net margins of cooperatives are taxable income. In those instances in which they found that as a part of the original business transactions which resulted in the net margins there was a mandatory obligation to account to the patrons on a patronage basis for any excess remaining at the end of the year, the net margins have been held free of liability in the hands of the cooperative for income taxes. In other words, the cooperative because the net margins did not constitute taxable income, had a legal right to exclude such margins from its gross income in computing its income taxes.

In the Law Review Article the writers state that "The fact that some cooperatives now pay the income tax, as they say 'voluntarily' on income from dealings with nonmembers is, of course, recognition that such corporations are realizing income from all such transactions." This is another totally unsupported statement, and the law is directly to the contrary.

Whether taxable income arises from any business transaction depends largely, if not entirely, on the terms and conditions under which that business is done. The term "voluntarily" simply means that the cooperatives have not entered into obligations to account to the nonmembers for net margins on business done with them. The absence of such obligations results in taxable income on business done with nonmembers. But the cooperatives are under prior obligations to account to members for net margins arising on their business and hence such margins are excludable in computing the income taxes of such cooperatives.

Several authorities could be cited in which the holdings are squarely and directly contrary to the statement under discussion but only one will be cited, namely the case of Green County Farmers Sales Assn. v. United States, 55 F. Suppl 123, decided by the Court of Claims.

The authors of the article recognize that the patronage refunds or dividends of a cooperative must be taken into account by a farmer in making out his income tax returns regardless of whether the refunds or dividends are paid in cash, stock or otherwise. This, of course, is substantially the way the individual members of a partnership compute their income taxes, as partnerships are free of liability for income taxes. The close analogy from an income tax standpoint between a partnership and a cooperative seems to have escaped the attention of the authors. Indeed a cooperative might well be regarded as an economic partnership.



There is a strain of the Dr. Jekyll and Mr. Hyde running through the article. On page 175 the members are involuntary investors in their cooperative while on page 190 of the article the members are in control of the cooperative. Really, the learned authors cannot have it both ways. It would seem that the question of a taxable income of cooperatives is one which is entitled to a much more objective consideration than is given it in the article under review.

Sincerely,

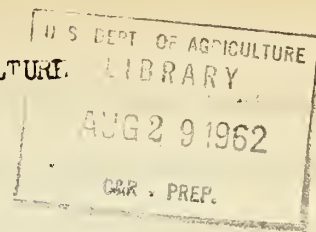
/S/ CHARLES F. BRANNAN

Secretary



UNITED STATES DEPARTMENT OF AGRICULTURE

Office of the Secretary



PRODUCTION TO MEET THE TEST

Talk by Secretary of Agriculture Charles F. Brannan at conference of Agricultural Mobilization Committees in Des Moines, Iowa, Saturday, April 7, 1951, 2:00 P.M.CST

- - -

We are meeting here today because we have a problem that calls for understanding and united action on the farm front.

Stated in its smallest terms, the problem is to increase the production of livestock feed.

Yet it is more than that.

The crisis in world affairs has brought from the minds of all thinking people the question: What can anyone do? Or, more specifically: What can I do?

For some of our people, the answer comes in the form of a uniform and a gun.

For others of us, the answer is found at a machine in a factory.

For still others, the answer is farm production to meet the Nation's need.

For all of us, the answer is that we can help to make our country strong.

A few acres of corn, more or less, might seem to be of little consequence.

But it is the individual producer who determines whether American agriculture will measure up to its task. In turn, the individual segments of our economy -- agriculture, labor, industry and the smaller groups -- determine whether America as a whole will meet the fateful test that is now upon us. What America does in this year of 1951 may determine the future -- not only of America, not only of Americans now living, but of mankind, of generations yet unborn, of civilization itself.

On the home front, no group is called to greater service than the American farmers. And no group will be found more patriotic, none will be found more

determined, none will be found more capable of doing the job that must be done. What they need are the facts and the materials with which to work. It is your task and mine to help them get the facts and to help meet the problems of machines and materials.

You of the Agricultural Mobilization Committees have a tremendous responsibility. I am sure you realize that. Many of you served on the agricultural war boards during the second world war. You know the importance of neighbor-to-neighbor contacts in getting exact, down-to-earth information to farmers about the job to be done. You know how to gear our farm programs to the production job. You know the importance of organized, local efforts in meeting manpower problems, seeing to it that the farmers' need for implements and production materials are made known and that available tools and supplies are distributed as well as possible.

During World War II we had a wonderful system for focusing our farm productive effort on the right products at the right times. The miracle of farm production during the war was not merely the tremendous increase in total volume, but, equally important, the efficient use of resources to meet particular goals. It is your task and my task to make our present system at least as efficient and useful as that which proved so successful during World War II. I believe we have the right kind of organization. What we need now is results in terms of production.

One of the greatest immediate needs of the Nation is an increase in feed production, the foundation for increased livestock production now and the basis for uninterrupted high level production in the future.

This is not a need on which we can concentrate to the exclusion of everything else. We need much more cotton from the cotton states, more wheat from the spring wheat states, more of certain vegetables, and higher yields of grass and legumes everywhere.

But here in the Middle West, the great challenge is corn production. In a

period like this, you know what happens to demand for meat, milk and other live-stock products. Demand goes up and up, putting more and more pressure on the price structure. If we are to meet both military and civilian demand for live-stock products, we must increase our supply of feed grains. We cannot take chances on having too little.

It is the responsibility of agriculture to produce the farm products to support a military force so strong that it can more than balance the threat imposed by the Kremlin communists. Nobody else can do that job for us.

It is the responsibility of agriculture to produce the farm products required for a strong national economy -- one that will become increasingly stronger instead of falling apart as the communists hope and expect. Nobody else can do that job for us.

Inflation is our enemy just as surely as the communist forces of subversion and aggression.

Agriculture knows that the best answer to inflation is production.

No farmer wants any economic controls that can be avoided. No farmer believes that regulation is as effective as production. Therefore, to the farmer, our present situation offers opportunity as well as obligation -- opportunity to do the job as he believes it should be done: With maximum production and minimum controls.

Fortunately, we still have a good supply of feed grains. But we also have a large livestock population. The number is increasing, as it should. The rate of feeding is high. To sustain these trends, we need to increase our production of feed grains substantially.

That is why I am disturbed that the recent official survey of farmers' planting intentions indicated that corn acreage might fall short of the national goal by more than four million acres. Instead of 90 million acres, it appeared that farmers were intending to plant not more than  $85\frac{1}{2}$  to 86 million acres.

(more)

USDA 865-51-3



I know that planting intentions are sometimes changed considerably after the March 1 plans are surveyed. As a matter of fact, the purpose of our official survey of intentions is to supply information which will assist farmers in re-appraising their planting plans. I am confident that the news of the report itself will cause many farmers to revise their plans upward. But we must see to it that every farmer knows about the need. That is your first big action job as mobilization committees.

Let us review the facts.

As of January 1, this year, we had in this country approximately 102 million tons of feed grains -- corn, oats, barley, and grain sorghums. That was a record for that date. As of February 28, the Commodity Credit Corporation owned all-time record holdings of feed grains, a total of 13,778,000 tons. These stocks owned by the CCC included 434 million bushels of corn, 11 million bushels of oats, 24 million bushels of barley, and 18 million hundredweight of grain sorghums.

So far so good. Now let's look at the livestock picture.

On January 1 farmers and ranchers had substantially more animals than a year earlier, although somewhat less than the record number held in 1944. Particularly significant was the big increase in numbers of breeding stock, especially young cattle.

Our official report recently summarized the situation as follows:

"The 84.2 million cattle and calves on hand January 1 were 5 percent more than the previous January and were only 1.4 million short of the all-time high in 1945. For dairy cattle the increase last year was 2 percent, and was mostly in heifer calves; for beef cattle it was 8 percent, and was mostly in beef cows and calves. A 2 percent gain in numbers of sheep and lambs was notable because it was the first increase since an 8-year decline began in 1942. The 31.5 million sheep and lambs on hand this January were still only a little more than half their 1942 high of 56.2 million. Numbers of hogs were 7 percent larger this January than last."

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USDA 865-51-4



Included in those totals were 10 percent more beef cows, 5 percent more heifers and heifer calves for milk, 6 percent more beef heifers, 14 percent more ewe lambs, and 4 percent more sows and gilts.

The December pig survey indicated 9 percent more pigs were saved last fall than a year earlier and that farmers intended to farrow 4 percent more sows this spring than a year ago. This might well give a 6 percent increase in pigs saved this spring. Production of chickens and eggs is being held at a high level.

These figures leave no doubt as to the need for maintaining good reserves of feed grain as a firm base for the prospective increases in livestock production, and of course the higher current use of grain is apparent.

Actually, we need more feed grain than we are likely to get from the acreages requested in the production guides.

If we get the full 90 million acres of corn and have average yields, we will still probably reduce our feed grain reserves. The problem is to get enough corn without taking too much land out of other crops we need and without impairing future production. We need higher than normal yields and also the most efficient use of feed in order to safeguard our reserves.

Those are some of the important facts that I hope you will call to the attention of every producer.

Most certainly we do not want to repeat our experiences of the early part of World War II when our feed production did not keep up with our livestock expansion. Although we had relatively large stocks of feed in 1941, we had little left by the summer of 1943 and had to begin subsidizing the use of wheat for feed. By the end of 1943, we had used up our reserves of both wheat and corn, and livestock numbers had to be greatly reduced. In one year farmers cut down from 193 million animal units to approximately 174 million. While we have far larger stocks of grain now than we had in 1941, we also have far more livestock, a larger human population, higher consumption per capita. The time to take action against a future shortage of feed is not when we have run out of reserves, but now.

(more)

USDA 865-51-5

Grain is not, of course, the whole answer to the feed problem. Grass and legumes can make an extremely important contribution too. They can supply nutrients that would otherwise have to come from grain. In rotations, they can help maintain grain yields from year to year. And they can help sustain the productivity of the farm plant for the long pull.

Important as our immediate needs may be, we dare not abandon our soil conservation or other phases of good management. We must be prepared to sustain our national preparedness for many years, and we must meet the needs of a growing population for many more years after that.

Improvement of our grasslands is a definite part of our agricultural mobilization. In some areas, it is possible and practicable to increase forage production by four to six times through simple pasture improvement methods. Some classes of livestock can be fed almost entirely from grasslands. Experiments have proved that corn yields go far down when sod crops are left out of the rotation and rise greatly when sod crops are included. In some parts of the country, an acre of grassland will produce as much livestock feed as an acre of corn. These are some of the facts that indicate we are not yet using grasses and legumes to full advantage. In our emphasis on feed grains, we should not neglect the grassland crops or use them less extensively. On the contrary, we can use them to ease the grain problem and safeguard future productivity at the same time.

In times like these, when there are so many important demands to be met from the same acres, success of a national effort depends upon a delicate balance of production. To paraphrase the well-known statement about guns and butter, can we have both corn and grass? I believe that we can. It is to meet just this kind of problem, which calls for knowledge of both national needs and local situations, that the Agricultural Mobilization Committees were created.

All of us recognize, of course, that many of the problems of farm production are not subject to local solution. For example, there is the question of price.

(more)

USDA 865-51-6



No farmer and no locality can set the price of a commodity. No matter how efficient a farmer may be, there is some relationship between prices paid and prices received below which he cannot operate. Inevitably, production is costly and difficult in times like these.

Also, there is inevitably strong competition between different groups of producers for materials. Inevitably, there is strong competition for manpower. Inevitably there are disagreements about organization, price policies, manpower policies, and many other phases of our delicately-balanced economy.

I could go into considerable detail on these points, but I doubt that it would serve any good purpose. What I want to say about them is this:

I hope that no farmer will allow his concern over future developments to stand in the way of full production. If a problem has already developed for an individual and cannot be solved, that's one thing; I don't believe there are many such cases that hinder production. If it's concern about the future, that's something else; I believe the farmer can count on a fair break.

The responsible officials of Government recognize the importance of farm production. They recognize that it is more than ever dependent upon machinery, electricity, gasoline, rubber tires, fertilizer, and pesticides. The farmers' needs are being and will be fairly represented. That is all that the farmer wants and all he asks.

The responsible officials of Government recognize that there is a limit below which farm manpower cannot be reduced without reducing farm production. Selective Service officials have instructed local boards to consult with the Agricultural Mobilization Committees. You have been instructed to call the attention of the local boards to particular problems. Employment offices of the Federal-State system are recruiting farm workers to the best of their ability. This is not to say that the manpower problems will be solved. But as far as the national rules are concerned, I believe that agriculture is being fairly treated, and that is all we can ask.

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USDA 865-51-7

Irresponsible talk to the contrary, the responsible Government officials know that the farmer is not gouging the consumer and has no way of doing so even if he would. I certainly have never known a farmer who could set his own price and insist on getting it. He takes what the market offers. I think we are making some progress in combatting phony propaganda about farm prices and income and also in combatting attacks upon the price support system, which is extremely important as a production guide and a safeguard for the future economy.

Responsible officials of the Government know that increases in farm production depend upon fair returns to the farmer. You can't sell cheap, buy dear, and produce the abundance we need. The Government is subsidizing increases in production capacity for some industries. I personally have great confidence that in price arrangements the farmer will not be penalized for producing abundantly.

So far as I can see, there is no reason whatsoever for farmers to hold back. I believe the farmer can confidently follow his patriotic desires in producing what the Nation needs. The lesson of the past is that the whole Nation can count upon the farmer.

I would not for a moment minimize the existence of practical problems and difficulties. But I do charge you of the mobilization committees not to become so deeply immersed in those difficulties that you forget the great issues and great purposes toward which our efforts are directed.

Ours is a task that involves more than organization, more than mechanical effort, more than routine service. It calls for understanding of and devotion to the American cause -- understanding which needs no daily reminder that human freedom has never been in greater peril, that civilized life on earth is threatened, that each of us bears an awesome responsibility to each other human being.

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Our understanding must be such that we can interpret great goals in terms of prosaic and homely tasks.

We must be able to see that extra acre of corn not merely as something we may grow or not, as we please, but as a token of the sacrifice any of us would make if need be -- a field of green that is grown to prevent the staining of other fields with red.

Our devotion must equal that of our forefathers, who pledged their lives, their fortunes, and their sacred honor to the cause of freedom. It must equal the devotion of the men of Valley Forge, of Belleau Wood, of Bataan, of Normandy and Korea.

The chips are down. The communist bluff has been called. The forces of freedom will either win or lose.

Mobilization now is not just another word for defense contracts.

The trembling of timid men and the hesitation of the uninformed will help no one but those who would destroy us.

We must distinguish the Big Lie and the Big Doubt and put them down with Truth.

This is the time for faith, not doubt -- faith in ourselves, faith in our purpose, faith in our ability to do the will of God that man should be free.

As we meet here, men are fighting and dying so that we may yet prevent an atomic world war and build a world of peace and freedom.

As if this in itself were not sufficiently heart-rending, there are those here in our own country, to say nothing of those in communist Russia, who seek to create and exploit a Big Doubt about the importance of Korea to America and the rest of the free world.

Let us see the truth.

Should the United Nations have stood by when the communists invaded the territory whose freedom and integrity were guaranteed by the United Nations? Surely

We have not forgotten the lessons of Manchuria, Ethiopia, the Munich deal, Czechoslovakia, Poland, and Pearl Harbor.

Would we have the whole of Asia believe that the power of Red China is irresistible? Should we say by our actions that the Philippines and Japan cannot count upon our commitments? Should we undo all that we have done in those countries.

Why did the communists invade Korea?

Senator Gillette of Iowa asked that question on the floor of the Senate last June, shortly after the invasion took place. I think it is worth while to recall what he said:

"I have no private knowledge of the real purpose behind the present Communist attack in Korea. It seems highly unlikely, however, that they are risking a general world conflagration for the sake merely of occupying that small territory, whatever its strategic value may be....I take this Communist offensive to be aimed at something far more important than the capture of South Korea, part of a far greater design. I think it may be designed to carry terror into the hearts of every man, woman, and child living along the vast perimeter of the Communist world...We are dealing with men who have mastered the waging of international civil war and who know how to manipulate the passions and fears and hopes of mankind. They appear to be acting on the theory that if the peoples of the world fear that war is close, the desire to avoid war will become unmanageable by the governments opposing communism, particularly in areas close to the Soviet Union. This is<sup>a</sup> softening up process for political conquest." End of the quotation.

Whatever the reason for the communist invasion -- and the western world may never know the entire answer -- the unanswerable fact is that the communists did invade and thus put the United Nations to the supreme test.

(more)

We are meeting the test and living up to the principles of the United States and the United Nations.

Nobody knows what the next move of the Kremlin may be. It has tried subversion, infiltration, phony peace offensives, revolution, and direct military aggression. Communism has spread over Eastern Europe and China. But it has been stopped elsewhere. We in the free world are working together to build our strength and use it most effectively to support the cause of freedom against aggression throughout the world.

That is the meaning of our mobilization. Everything for which we fought in the worst war of all time, everything for which we have worked since the war, is now at stake, dependent upon the success of our mobilization program.

And mobilization in turn depends upon every segment of our national life. We in agriculture cannot meet the responsibilities that devolve upon industry or those that devolve upon labor; but they cannot meet their responsibilities unless agriculture does its part; and we cannot do our job unless the others do theirs. We are all in this together. The actions of each group and each individual count in building the strength we must have.

You are all familiar with the thought that in human affairs, as in oceans, there are tides which must be used or lost forever. For America the tide is now at the flood. It must be taken before it ebbs.

This is the time for action. For some Americans it is a time that calls for heroic action. For others of us, it calls for homely, less dramatic digging away at the daily chores.

It takes corn as well as cannon.

The denim-clad patriot on the tractor, as well as the khaki-clothed soldier in the tank, serves his Nation and his fellow man in the cause of peace and freedom.



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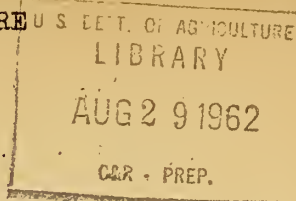
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary  
Washington, D. C.



FOOD PRICES AND FARM RETURNS

Statement presented to House Committee on Agriculture by Secretary of Agriculture Charles F. Brannen, Tuesday, April 24, 1951, 10:00 a.m. EST.

Reality vs. symbol

Directly and indirectly, various statements in recent months have tended to establish in the public mind the impression that food prices or prices received by farmers are the key symbols, and presumably the chief causes, of inflation.

More particularly, these statements have tended to create the impression that farm returns are unreasonably high in relation to incomes of other groups.

They also imply that the parity pricing standard for farm products is chiefly to blame for the rising cost of living.

If we were to base our national efforts on these erroneous impressions, we would never accomplish the goal of stabilization.

Farmers are not overpaid

Most people consider income in terms of wages, salaries, or interest on their investment.

The farmer's income, on the other hand, is the result of prices times volume of products, less his operating costs. It is really a composite return to the farmer and his family for labor, management and capital investment. But that income can also be broken down in terms of wages and interest; i.e., the number of man-hours of labor required to produce it, and an estimated return or rate of interest on the farm investment required in land, livestock, and equipment.

Divided that way, here's what it looks like:

69 cents an hour for labor  
5 percent interest on investment  
0 for management

That 69 cents an hour is less than the 75 cents per hour wage which has been fixed by law as a minimum for most types of nonfarm labor.

The 5 percent interest on investment in plant and equipment is less than a third of the return that corporations realized on their capital investment in 1950.

Zero for the farmer's management ability compares with the salaries of business firm managers, who represent one of the highest paid groups in the country.

Here's how the computed average hourly earnings in agriculture, from 1947 through 1950, compare with hourly earnings of workers employed in other endeavors:

	<u>1947</u> (Dollars)	<u>1948</u> (Dollars)	<u>1949</u> (Dollars)	<u>1950</u> (Dollars)
Farm people	.94	.86	.70	.69
Manufacturing workers	1.24	1.35	1.40	1.46
Building construction workers	1.68	1.85	1.94	2.03
Retail trade workers	1.01	1.09	1.14	1.17

Here's how the allowance of 5 percent interest on the farmers' total investment in farm real estate, livestock, equipment, and working capital, compares with profits on net corporate investment, after corporation taxes, of all manufacturing corporations, according to the records of the Federal Trade Commission:

	<u>1947</u> (Percent)	<u>1948</u> (Percent)	<u>1949</u> (Percent)	<u>1950</u> (Percent)
All manufacturing corporations	15.6	16.1	11.7	15.0

If our computations allowed for farms the same interest on investment that corporations had in 1950, the remaining income would represent wages for farm people's labor of only 13 cents an hour.

Such earning calculations cover all kinds of farms. Some farmers did much better, some worse -- just as nonfarm people did better and worse than average.



On the basis of conditions the first four months of this year, it appears that the farmer's hourly earnings for 1951, computed in the same way as the 1950 figure, may average somewhere around 90 to 95 cents. But that is still well below the most recent estimates of hourly earnings of all factory workers -- \$1.56 an hour as of February 1951.

Rather than being overpaid, farmers are earning less for their labor, less for their investment, and less for their management ability than are other segments of our economy.

Big gap between farm and nonfarm income

As a result of smaller earnings in agriculture, the gap between farm and nonfarm income widened between 1947 and 1950, both in total and per capita.

Farm operators' income fell 27 percent from 1947 to 1950.

Despite that drop, national income increased about 16 percent during the same period.

The following are further facts on this situation:

Farm income trend -- down. The net realized income of farm operators from farming went down from the 1947 peak and national income went up as follows:

	Farm (Billions)	Total National Income <sup>1/</sup>
1947	\$17.8	\$198.7
1948	16.5	223.5
1949	14.1	216.8
1950	13.0	235.6

<sup>1/</sup> Adjusted to exclude taxes on corporate profits and include interest on Government indebtedness.

Per capita farm and nonfarm income -- difference widening.

Farm (including nonfarm work) trend -- down	Nonfarm trend -- up
1947 \$922	\$1,383
1948 960	1,523
1949 816	1,494
1950 804	1,546

(more)

These figures show that in 1947 farm people were getting two-thirds as much income per capita as non farm people, but in 1950 farm people got only about half as much as other people.

Farm earnings catching up. The rise in farm prices over the last year, if maintained, will mean a substantial increase in farm earnings, bringing them back to about where they were in 1947. Perhaps as good a comment as can be made on this is to quote briefly from the staff's section of the recently released report of the Joint Committee on the Economic Report. The staff report, in discussing the status of farmers, says:

"The outstanding price phenomenon in 1950 was the reflation of farm prices. As was noted in the Economic Report of the Joint Committee for 1950, the dip in prices then was in large part restricted to raw materials, and in particular to a decline in the price of farm products. The fact was also noted there that throughout 1949 the relatively inflexible prices, notably the prices of finished industrial products such as steel, automobiles, and other items, far from declining, advanced 2.2 percent. That advance was greatly accelerated in 1950. Note that rapid as was the rise in the prices of food since April of 1950, they did not catch up with the prices of steel-mill products until January of 1951.

"Farm prices, on the average, did not attain in 1950 the levels which existed in 1948. There are, to be sure, a few, and these are highly publicized, which have soared above 1948 levels. Among these are cotton, beef cattle, veal calves, sheep, lambs, and notably wool. All the other major farm products are not only below 1948 levels, but below parity levels. Not until early 1951 did farm prices in general begin to reach levels in excess of 1948 peaks.

"Nor is it true that farm incomes are inordinately high. In 1950 the farm population represented about 18 percent of total population, but net income of farm operators was only 6.0 percent of the national income, the lowest figure in the last 40 years except for 1940, 1930, 1931, and 1932. In 1947 the farmers (then comprising 19.3 percent of the total population) received in net incomes about 9.6 percent of total national income. Even when gross farm income is compared with national income, the percentage in 1950 is likewise lower than at any time since 1941, and lower than at any time during the last 40 years except for the years 1931, 1932, 1939, 1940, 1941, and 1944."

#### Food prices relative to consumer incomes

If we are going to consider average increases in food costs, it is only fair to consider also the average increases in the ability to buy.



An hour's earnings in a factory may buy less of some things now than it has in the past, but it will buy more food.

Estimates indicating approximately how much of different foods an hour of factory labor would buy at the beginning of this year and the comparable buying power of factory earnings in earlier years are shown in the following table:

Quantity of each item that could be purchased  
with one hour of factory labor, United  
States, designated years

Item	Unit	1914	1919	1929	1939	1949	February 1951
Bread, white . . . . .	lb.	4.0	4.8	6.4	7.9	10.0	10.0
Round steak . . . . .	lb.	0.9	1.2	1.2	1.8	1.6	1.5
Pork chops . . . . .	lb.	1.0	1.1	1.5	2.1	1.9	2.0
Sliced bacon . . . . .	lb.	0.8	0.9	1.3	2.0	2.1	2.3
Butter . . . . .	lb.	0.6	0.7	1.0	1.9	1.9	1.9
Cheese . . . . .	lb.	1.0	1.1	1.4	2.6	2.7	2.6
Milk, fresh (delivered) qt.	qt.	2.5	3.1	3.9	5.1	6.7	6.9
Eggs, fresh . . . . .	doz.	0.6	0.8	1.1	1.9	2.0	2.5
Oranges . . . . .	doz.	--	0.9	1.3	2.3	2.7	3.2
Potatoes . . . . .	lb.	12.4	12.6	17.7	25.3	25.5	36.3
Tomatoes (canned) . . #2 can	#2 can	--	2.9	4.4	7.4	9.2	8.4
Margarine . . . . .	lb.	--	1.2	2.1	3.9	4.5	4.0

(Prices and earnings used were compiled from Bureau of Labor Statistics data)

Bread. Average returns from an hour of factory labor will buy about the same number of loaves of bread now as it would in 1949, one-fourth more than it would in 1939, over one-half more loaves than in 1929, twice as many as in 1919, and two and one-half times as many as in 1914.

Round steak. An hour of factory labor in February 1951 bought almost as much round steak as it did in 1949, only one-sixth less than it did when beef was selling at bargain basement prices in 1939, one-fourth more than in 1919 at the postwar price peak following World War I, and two-thirds more than in 1914.

Butter. The average wage return for an hour of factory labor at the start of this year would buy the same amount of butter as in 1949 or 1939, nearly twice as much as in the boom year of 1929, not far from three times as much as in 1919 (when everyone who read cartoons knew that HCL stood for high cost of living), and more than three times as much as in 1914.

(more)



Other items. The same hour's work in the factory will also buy more milk, eggs, oranges, potatoes, and bacon than it would in 1949, 1939, 1929, 1919, or 1914.

More food for smaller share of disposable income

Americans spent for food last year a smaller share of their disposable income (income after direct taxes, chiefly income taxes) than they did in 1947, 1948, or 1949 -- and the same share as in 1946. Their expenditures for food and the various services which come along with it, including restaurant service, last year amounted to 27 percent of their total expenditures for goods and services -- compared to 28 or 29 percent in every other year since 1941.

If we had been satisfied with the same kinds and quantities of food we bought in 1935-39 with 23 percent of our disposable income, it would have cost us only 18 percent of our 1950 disposable income.

But Americans are eating a higher quality diet than they consumed in 1935-39. They are eating about one-eighth more food per person and buying more services along with their food -- better processing and preserving, better packaging, etc. All of that costs money.

The higher quality diets, the increased amounts of food people are eating, and the improved services in the handling of that food all share in the increased cost of the family's food budget -- not just higher returns to farmers.

In fact, consumers are paying as much for the marketing and distribution as for the production of their food. For example, in January 1951, a typical market basket of food for a family of three was costing at the rate of \$709 a year. Marketing costs were taking \$352 and farmers \$357.

(more)

USDA 987-51-6

Relative importance of farm prices in the cost of living

Far too much emphasis is placed on the fact that the food portion of the budget represents the single largest aggregate group in the Consumers' Price Index, compiled by the Bureau of Labor Statistics.

Food items, according to the statisticians, account for a little more than a third of that index.

But that's only part of the story.

About 10 percent of the food items are fish and foreign-produced items, such as coffee and bananas.-- products that have nothing to do with American farms or American farmers.

And of the products that do come from American farms, about 40 percent are already subject to control.

Contrary to widespread impressions, therefore, U. S. farm-produced items that are not already under or subject to complete controls actually account for not more than 20 percent of the Consumers' Price Index.

But, only half (or about 10 percent) traces back to farmers and farm prices because about half the retail price goes for processing, handling, and merchandising.

Much is also made of the fact that the farm commodities now selling below parity are free to rise and thus increase the cost of living before becoming subject to control.

However, if the prices of all farm commodities below parity in March should immediately rise to the parity level with the resulting rise translated directly into retail food costs, consumers' food costs would rise something less than 5 percent, and this in turn would mean only about a 1.5 percent rise in the over-all Consumers' Price Index. But it is extremely unlikely that the commodities that account for this difference will rise to parity levels in the near future.

(more)

USDA 987-51-7

Farmers need stabilization program -- across the board

In all fairness to farmers, we need to look at the stabilization program as a whole, including not only farm and food prices but also prices and cost rates paid by the farmers themselves. We need a balanced stabilization program.

Farmers are engaged in war production when they turn out food and fiber for our troops and our allies, just as surely as any business that has a defense contract with the Government. And it costs more to get above-normal production from a farm, just as surely as it costs more to get above-normal production from a businessman or a wage earner.

Farm production involves great risk, great skill of many kinds, and large investments of money and labor. If farm costs increase, they must be balanced by increased returns, just as in any other business, if the plant is to keep on operating -- and particularly if it is expected to turn out increasing supplies year after year.

Farmers as a group are operating on a very small "margin" all the time, and in recent years it has been narrowing.

It is still narrowing. Farm costs are still rising while farm prices have leveled off and even declined slightly. For example, during the month ended March 15, the index of prices paid by farmers, including interest, taxes, and wages, rose 4 points or about 1-1/2 percent. This increase resulted from higher average prices paid by farmers for items used for both living and production purposes. During that same month the index of prices received by farmers dropped 2 points.

Such facts indicate how important it is to stabilize farmers' costs no less promptly than their returns are stabilized.

Otherwise, rising costs hinder farm production.

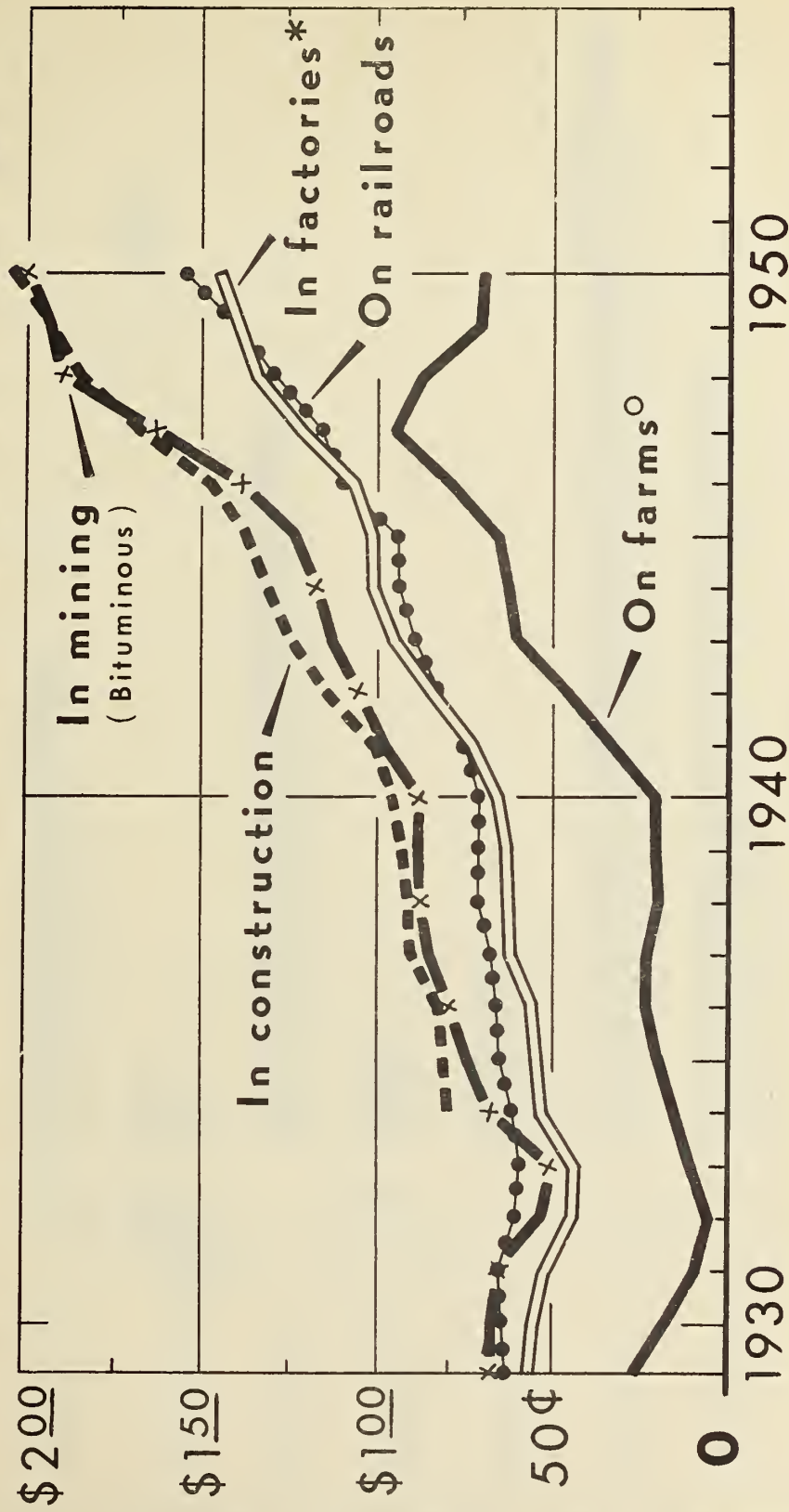
Getting that production is essential in maintaining stability and keeping food prices from going still higher.

In this matter, as in the solution of all problems, a clear understanding of the facts is essential. To distort the part that farmers are playing in current economic trends can only divert attention from other areas that must also be considered. That, in turn, can only lead to failure of the stabilization effort.

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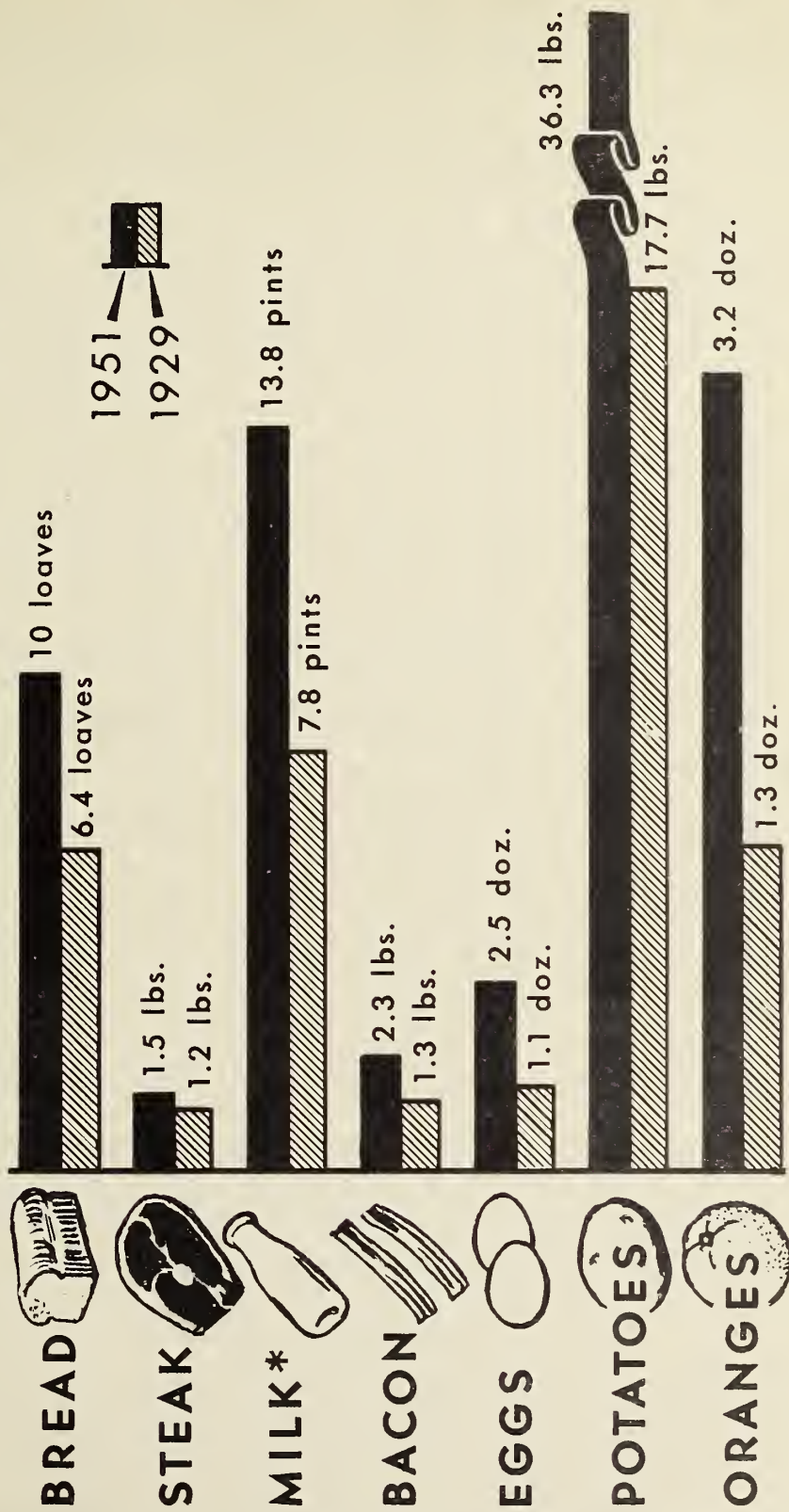
# HOURLY EARNINGS FOR WORK ON FARMS and IN INDUSTRIES



\*AVERAGE HOURLY EARNINGS OF FACTORY WORKERS AS REPORTED BY BUREAU OF LABOR STATISTICS.  
°RETURN PER HOUR ON ALL FARM WORK, AFTER DEDUCTING A RETURN OF 5 PERCENT ON CAPITAL.



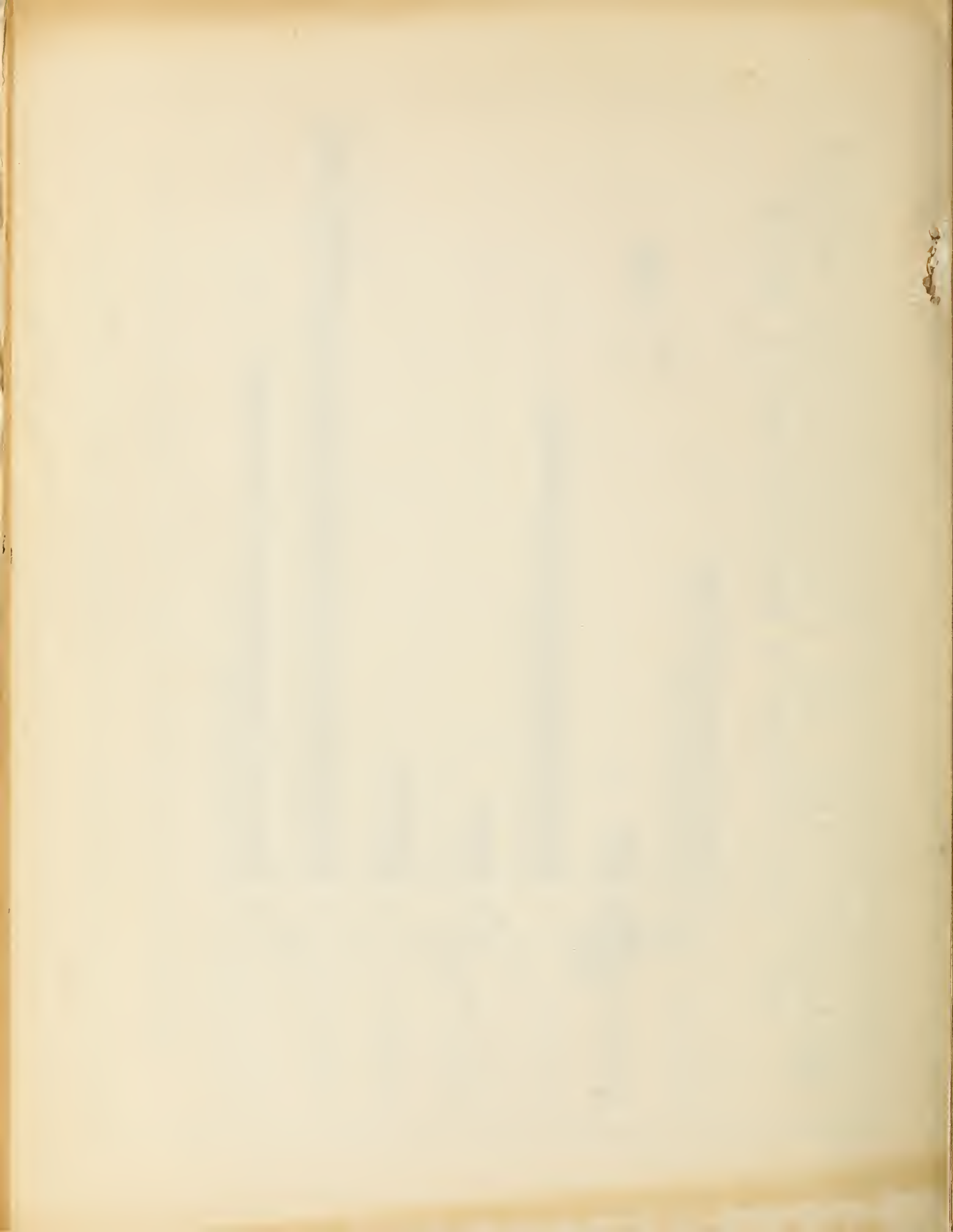
# QUANTITIES OF FOODS ONE HOUR OF FACTORY LABOR WILL BUY



\* FRESH, DELIVERED.

1951 QUANTITIES BASED ON FEBRUARY 1951 RETAIL PRICES. LENGTH OF BARS ON POUND BASIS.

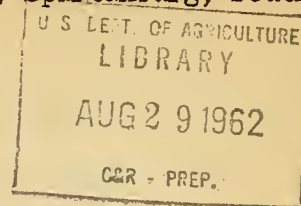




UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary

Sept 5, 1951  
Talk by Secretary of Agriculture Charles F. Brannan at awards ceremony of Piedmont Communities Soil Conservation Contest, Spartanburg, South Carolina, Wednesday afternoon, September 5, 1951

## REBUILDING STRENGTH IN THE LAND



It is a privilege to have the opportunity of being here with you today. You are celebrating a most important event. You are making real progress in rebuilding strength in your land.

This occasion officially brings to a close two and one-half years of intensified effort directed toward the betterment of your soil--the life-blood of your communities.

It is most inspiring to see such a large number of farmers receiving prizes for accomplishments in soil conservation--prizes for both individual accomplishments and for group action. Nearly 1,500 farmers have participated from the six counties in the contest. That is a highly impressive number. I salute you each and every one for your interest and effort in getting better soil conservation on your farms.

Also, the 214 merchants, business firms, and industries who contributed prizes for this contest are to be congratulated. I understand that in total your prizes have a cash value of more than \$25,000. You most certainly have expressed your interest in soil conservation in a dramatic manner. Your contributions have provided a potent incentive for stimulating more soil and water conservation in these farming communities. You have vividly demonstrated your understanding that productive soil is essential to general prosperity.

I also want to congratulate the supervisors of the five soil conservation districts who sponsored this Piedmont Communities Soil Conservation Contest. You have put into action the Program for Greater Service being recommended by the National

Association and State Associations of Soil Conservation Districts. You have demonstrated that such programs are effective when a majority of the people get behind them.

I especially want to compliment Mr. J. A. Bridwell, Chairman of the Contest Committee, for his part in this affair. He gave willingly and freely of his time and energy in the community interest to help make the contest such a big success. Your effort--and the efforts of those who helped you, Mr. Bridwell, have re-demonstrated that local leadership plays a key role in getting more conservation practices applied to the land, as it does in any other worth-while agricultural undertaking.

Today we are celebrating much more than the closing of this 2½-year contest. We are celebrating a new high point in the march of conservation progress. You have reached a new high in applying conservation farming to your land. Complete-farm soil and water conservation programs are now in effect on about three-quarter-million acres of land operated by more than six thousand farm families in these five districts.

Since your districts were organized, you have put more than 77 thousand acres in soil building grasses and legumes. You have started rotating crops on 27 thousand acres. You have terraced nearly 20 thousand acres. You are strip cropping 10½ thousand acres. You are farming 37 thousand acres on the contour. You have planted trees on 4½ thousand acres. And, you are practicing better woodland management on a much larger area.

You have built farm ponds, waterways, and made plantings for wildlife. You have limed, fertilized, and planted cover crops. And you have applied many other soil-conserving practices.



You should be proud - and I am sure you are proud of your progress. But, I know you don't want it to stop with the closing of this contest. Never before has the need for conservation farming been so great--or so urgent. Now, more than ever, we need RENEWED STRENGTH IN THE LAND.

That's what I want to talk over with you today. First, I want to say a few words about why we need new strength in the land. Then, we'll talk about ways of getting it.

Free men are in grave danger. The threat is more serious than many want to admit. Millions of people in foreign lands have already lost their freedom. Millions more are threatened--including ourselves--because communistic aggression is on the march. Our Nation has taken a firm stand to bring that aggression to a halt.

Our mobilization program has created a new and sudden demand for greatly increased quantities of agricultural commodities. Agriculture faces the immediate challenge of producing enough to supply the Nation's growing military forces with food and clothing, the growing defense industries with raw materials, and a rapidly growing civilian population with food, clothing, and shelter.

Farmers must produce enough to supply this demand, and enough more to carry at the same time a safe margin in strategic reserves. For example, we need to maintain a substantial reserve of cotton.

On top of all this agriculture must produce enough to back up the Nation's foreign policy by continuing to share our abundance to the fullest possible extent under sound arrangements with friendly countries in need of help.

The need for greater production is immediate. And, it will be enduring.

Military mobilization, in itself, stimulates the rate of consumption of agricultural commodities. Also, special military needs must be met. The Nation's huge industrial machine is leaning more and more on agriculture as a source of raw materials. As industry further mobilizes and expands, that demand will increase.

Our population is increasing at the most rapid rate in this century. The latest census report shows that we already number more than 154 million. We are growing at the rate of a little more than two million persons a year, or about six thousand every day. In another ten years at this rate we will have 20 million more mouths to feed and backs to clothe. By 1975 our numbers may swell to 200 million.

There can be no question about it: The future requirements from agriculture will greatly exceed our current rate of production.

Already, American agriculture is producing at a record level. Farmers are maintaining in production just about every acre of the land now available to economic crop production.

The situation means that American agriculture cannot look to new land and expanded farm acreages to satisfy the Nation's growing needs for food and fiber. It means that, Nation over, farmers must concentrate largely on making existing acreages produce more abundantly--not only next year and the year after, but on a continuing basis so that the increased demand can be met 5 years from now, 10 years from now, 25 years from now, and so on through the years.

The problem is to increase production immediately and--while doing it--to build REINFORCED STRENGTH IN THE LAND so as to be able to meet future demands. Failure to meet demands could threaten this Nation's ability to meet world responsibilities. This in turn could endanger our democratic way of life and bring about a drastic lowering in American standards of living.

To help prevent this is really what soil conservation is all about. That's why town folks have as much at stake as country folks in soil conservation. That's why we have national programs to aid with the adoption of conservation farming. That's why today we are celebrating the progress you are making with conservation farming in the five soil conservation districts represented here.

I want to take a few moments to trace the history--the evolution--of the problem we face. It's a well known story. But, we need to review it to bring our problem into focus.

The American pioneers were farmers. When they came to America in search of freedom, they found a new land of opportunity. They found their new land so productive that one man could grow more than enough for himself and his family.

Not all were needed to grow food. Some could be spared to make tools and provide services for the rest.

As more and more land was put to production, more and more people could be spared from the farms. Towns and cities sprang up across the country. Railroads were built. The fertile soils fed the growing industries. And, the country expanded.

In the Midwest, corn grew in abundance. In the Great Plains, wheat was supreme. Here in the South, cotton was king.

And the soils' capacity to produce was taken for granted. If a farm wore out, the family moved west. "Go west, young man," was the motto for progress.

Then, we ran out of new land. Still, the demand for agricultural products continued to rise. More farm products were needed to feed the blood-stream of our fast-growing nation. So, agriculture concentrated more on exploiting the available soil resources.

During World War I we plowed the Plains to meet the heavy demand for wheat. In the depression years that followed, economic pressures forced farmers to continue mining their soil to eke out a bare existence.

Erosion had set in on much land. On some fields water erosion had washed away much of the topsoil. Other fields were being depleted by wind erosion.

Dr. Hugh H. Bennett deserves the Nation's thanks for focusing public attention on the erosion problem. He recognized in the early 1900's what was happening to our soils. And, he told the Nation about it over and over again.



Finally, his warnings were heeded. By 1933 the Congress of the United States established the Soil Erosion Service, with Dr. Bennett in charge. It was then that the Nation's first organized effort in soil conservation was set into action.

I will say more about that action in a moment. Right now I want to go ahead with the evolution of our current soils problems.

World War II brought with it unprecedented demands on agriculture. Farmers were called on to produce enough to feed and clothe million-man armies and, at the same time, to feed the working force and supply raw materials for enormously expanded industrial production.

To meet this new demand, agriculture was forced to further exploit our soil resources. We won the war, but in the process we drew heavily on the Nation's reserves of soil fertility.

When the fighting stopped, the demand on agriculture did not let up. Huge quantities of our agricultural commodities were needed to rebuild war-torn countries, and to maintain the peace.

By 1950 postwar demands on agriculture were becoming less pressing. But Red aggression was actively on the march. And our Nation took a firm stand to protect freedom.

Again, agriculture is confronted with a new high in demand. And all prospects for the future point toward continuing increases for an indefinite period.

I have taken considerable time in reviewing this history. And I have done it for a specific reason--to underscore the key part that soil fertility has played in the growth and development of our great nation.

There is no doubt about it, STRENGTH IN THE LAND always has been the foundation for building strength in our Nation.

Also, it is true that over the years we have drained off, or lost through neglect, much of the original natural strength in our land. We have dissipated much of the inherent productivity of our soils. Consequently, some people have jumped to the conclusion that we have about reached our pinnacle in national strength--that our soil resources cannot long support the United States in a position of world leadership.

I cannot agree. I am more optimistic. Events such as the one we are celebrating here today are convincing cause for encouragement. You are moving forward in REBUILDING STRENGTH IN YOUR LAND. Your progress, and similar progress in other parts of the country, demonstrate what can be done through conservation farming, along with the various other advancements in modern agricultural techniques.

During the last 18 years we have seen numerous significant advances in soil and water conservation. We've come a long way from where we were in 1933 when the original Soil Erosion Service was established.

In the middle 1930's dust from wind erosion in the Great Plains darkened the skies all the way to our eastern shores.

In 1935 the Congress promptly passed the first broad national Soil Conservation Act adopted by any country. The renamed Soil Conservation Service became a permanent agency in the Department of Agriculture. In 1936, the President, at the suggestion of a number of states to the Secretary of Agriculture, recommended the framework which made possible the establishment of local soil conservation districts, by vote of the landowners under state enabling laws. This program, now in operation in every state, Alaska, Hawaii, Puerto Rico and the Virgin Islands, makes available, at Government expense, the services of trained technicians to help farmers plan and put into effect complete soil conservation programs for their farms.

USDA 2164-51-7

Complete farm plans have now been worked up for about 275 million acres of land on approximately a million farms. You have made good use of these services here in the Piedmont in developing complete soil conservation programs for your farms.

In 1936 the Congress augmented its earlier action by establishing the Agricultural Conservation Program. The objective here was to help farmers to finance the cost of applying soil conserving practices. Each year since 1936 a major portion of the Nation's farmers have received conservation assistance through the ACP program. This assistance has had an important impact on the ability of the land to produce.

You know the help that ACP assistance has been to you. I'm sure you have also found that ACP assistance was most effective after your farm was planned completely for soil and water conservation. Farmers generally find that maximum benefits can be obtained when the services from both programs are brought to bear simultaneously.

Of course, soil conservation has not been limited to governmental action programs. In 1937 the first farmer-organized and farmer-managed soil conservation district in the United States was established in Anson County, North Carolina. Since then, more than 2,360 soil conservation districts have been organized--an outstanding achievement from democracy in action. The districts include more than three-fourths of all of the land on farms in the United States. South Carolina is 100 percent covered with soil conservation districts and North Carolina's farm land is 95 percent covered.

Also, during recent years at the colleges and universities, at the State agricultural experiment stations, and in the research agencies of the U. S. Department of Agriculture, research scientists have given intensive study to our soil problems. They have continued to make important progress in determining causes of soil deterioration and developing methods for combating it.



They have found, for example, that some soils, although naturally infertile, can be made highly productive. Many fields once considered "worn out" can be made to yield abundantly. You are finding that out here in the Piedmont. Farmers elsewhere, with similar soil problems, are finding it out, too.

Soil research has also revealed that naturally fertile soils that have lost productivity through use and abuse often can be rejuvenated. Already, productivity is on the "come-back" on many farms where yields were falling off because of declining soil fertility.

As a result of these findings over the years there has gradually evolved a changing concept of soil conservation. No longer do we consider soil conservation as limited to controlling erosion. We now know that soil deterioration through cropping also may be extremely serious. For soils subject to erosion it is often necessary to check cropping losses and increase fertility along with application of erosion control measures.

We have also come to understand that conservation farming can seldom be achieved by a single practice. Instead, a combination of practices is usually needed, a combination fitted to the specific soil characteristics and needs. The basic physical objective of soil conservation activities by Department agencies is the use of each acre of agricultural land within its capabilities and the treatment of each acre of agricultural land in accordance with its needs for protection and improvement.

The modern concept of conservation farming has come to mean applying the necessary practices on a farm to increase production and to build up soil productivity, both at the same time. It means making soils yield abundantly year in and year out for an indefinite period. It means **REBUILDING STRENGTH IN THE LAND.**

Many modern measures for soil conservation serve triple duty. They increase production. They lessen the effect of soil deterioration from cropping. And they reduce the erosion hazard. All at the same time.

Improved winter legumes, for example, fall into this category. First-- they produce winter forage, which permits increasing livestock production. And they act as a nitrogen factory gathering nitrogen from the air and depositing it into the soil. The added nitrogen helps to increase yields on crops following in a rotation.

Secondly, when plowed under, legumes add to soil organic matter, helping to offset the loss of organic matter from cropping.

Thirdly, while growing, legumes provide a cover to protect the soil against erosion and, when plowed under, continue to help the soil resist erosion.

Today, improved grasses and legumes are available for many areas. Here in the Piedmont, for example, you are growing Ladino clover, crimson clover, sericea, and kudzu, Kentucky fescue, and others. In the early years of conservation these crops were available to you in only limited amounts, if at all. The fertility needs and management practices for growing them successfully or extensively have been perfected only recently. Their development has given you new opportunities for **REBUILDING STRENGTH IN YOUR LAND.**

I have mentioned improved legumes and grasses merely as an example of the modern conservation measures that farmers now have at hand. I could name many more. But, you know better than I about those that fit your farms best. You have been about the business of putting them to use. After all, that's why we are celebrating here today.

I sincerely hope that you will continue to increase your effort in applying conservation measures to your land, and that you will encourage your neighbors to

do so. Now, more than ever, we need to concentrate on applying those practices that increase production and improve conservation both at the same time. Not only here in the Piedmont, but all over the country.

While agriculture has made much progress in soil conservation during the past 18 years, we still have not done enough. Gains from conservation have not completely offset losses from soil erosion and deterioration. On many farms the soils have been improved. But hardly enough to offset soil deterioration on other farms.

Reversing the general downward trend in soil productivity offers one of our greatest opportunities for expanding the capacity of American agriculture to produce. It offers tangible means for meeting the increasing demand for agricultural products currently, and for continuing to meet those demands over the long pull.

Opportunities here in the South are at least as great as anywhere in the country. In fact, I believe the possibilities for agricultural advances have been, and still are, larger in the South than for the Nation as a whole.

Already you have brought about spectacular increases in per acre crop yields. Your cotton yields have gone up substantially during the past decade. Grain yields are on the increase. Corn yields in the South generally have been increased 75 percent during the past five years. Your increases in pasture production have been phenomenal.

Increasing yields are making it possible for you to grow your row crops on the less erosive soils. Thus, you can devote more of your rolling lands to hay and pasture.

You are increasing farm mechanization.

You are diversifying your crops.

You are expanding livestock production.



Ten years ago there was a great deal of doubt in many minds as to whether the South could feed a profitable livestock industry. Feed crop yields were low, and there was a popular belief that the South had "poor soils."

Now we know that although some of the soils of the South were low in plant nutrients to begin with, most of them are very responsive to fertilization, use of the right kind of crops, and other good management practices. They can be made highly productive. In fact, the productivity of soils in the South can be raised to, and maintained at, levels that compare favorably with the soils of other major agricultural areas. Many of you are demonstrating that for yourself on your own fields.

Climatic conditions that have made your soils what they are also offer unusual opportunities for increasing levels of productivity. So far you have made only a good beginning in cashing in on these opportunities.

Department of Agriculture scientists believe that progress in research with feed crops on a scale comparable with that now in effect for cotton and tobacco would probably make it possible for Southern farmers to grow enough feed to support three times your present livestock numbers.

Is that goal too high to shoot at? I think not. But, it will take much "doing" to reach it. In fact, it will take much "doing" by farmers in all parts of the country to meet current and future demands for agricultural products.

American farmers generally face the job of bringing most of the land now in use to a high level of economic production on a sustained basis. The job is so big that it calls for full cooperation from everyone--farmers, businessmen, consumers, church and civic organizations, state institutions, and federal agencies. Throughout the Nation we need the kind of cooperation that you have had here in the Piedmont in conducting your soil conservation contest.

We in the Department of Agriculture are doing everything we can to help. We are re-marshalling our forces to bring them into sharp focus on the production job. We are doing whatever we can wherever we can, to get widespread adoption of farming practices that will increase production as needed. We are continuing intensive research to develop improved practices.

Last winter we set in motion a re-organization of soil conservation and agricultural research activities to enable the Department to do its work more efficiently and economically. We are making progress toward the objective of a single county headquarters for the Department agencies directly serving farm people. We are trying to give the Nation more and better soil conservation per tax dollar and at the same time make for a stronger and more successful defense mobilization.

In every state and county, agricultural mobilization committees have been organized to help farmers get the information and working tools they need. Production guides are being worked up for 1952 production. Guides for winter grain crops have already been announced.

We are insisting as forcefully as possible that adequate machinery, fertilizers, and pesticides--your tools of production--be kept available.

We are working to help farmers retain enough skilled manpower on farms.

And, we are working to provide reasonable price assurances to agriculture so that you can go ahead with the business of expanding production with some assurance that your markets will not come crashing down about you.

We are reviewing all of our agricultural programs to make sure that they are serving family farms as effectively as possible. I consider this review to be highly important, because the family farm is the very foundation of American agriculture. We want to be sure that the services we offer to help increase production and achieve conservation will also help to provide farm families with a high standard of living.

Those are the policies under which your Department of Agriculture is functioning.

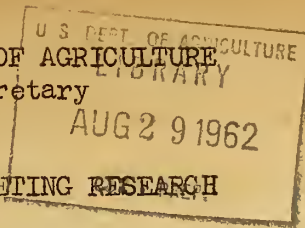
In conclusion, I again want to congratulate all of you who have taken part in this five-district soil conservation contest. Your accomplishments are especially encouraging at this time when increased agricultural production can mean so much in the free world's struggle for peace and security.

It is wonderful to see what can be done by a resolute, determined free people, using the services of their democratic government, to REBUILD STRENGTH IN THE LAND.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary



AGRICULTURE LOOKS TO MARKETING RESEARCH

*A31.3*  
*B75*  
*Sept. 25, 1951*  
*Cap 2*  
Talk by Secretary of Agriculture Charles F. Brannan at meeting of Washington, D. C. Chapter of American Marketing Association, Tuesday, September 25, 1951, 7:00 p.m. EDT

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I am very happy to be with you this evening at this meeting of the Washington Chapter of the American Marketing Association.

It is with a great deal of pleasure and satisfaction that I note your program includes as its feature event a matter that is very near and dear to my heart. I'm referring to the fact that there will be a presentation of awards recognizing outstanding research in marketing performed by Federal agencies.

I can assure you that this strikes me as a most refreshing note in a public atmosphere wherein the customary gesture toward those in public service seems to consist of nothing but avalanches of criticism and ridicule. It is essential, of course, that a democracy keep its government workers exposed to public scrutiny, even when that results in unwarranted ridicule. But just the same, a pat on the back for government workers received from their contemporaries outside the government goes a long way to make a job more pleasant and to offset some of the unwarranted criticism.

I believe that this action on your part emphasizes the degree to which our interests in marketing work coincide. In speaking of "our" interests, I mean the interests of the American Marketing Association and the Department of Agriculture.

Basically, we feel that we have a good, sound marketing system. It is a system that has helped to bring about the highest level of agricultural and industrial productivity the world has ever seen. It has helped to raise the Nation's useful employment, and in so doing has helped to raise the Nation's standard of living to its present pinnacle of progress.

We do not seek to revolutionize this system that has demonstrated its sound character. Rather, as a basic aim, we seek to improve and preserve the system we now have.

This basic aim with respect to marketing is entirely consistent with the Department's basic aim with respect to farming. That is, we are seeking to strengthen and preserve the family farm enterprise as the backbone of American agriculture. In both areas -- marketing and farming -- we seek to reduce costs, increase efficiency and promote constructive competition.

To illustrate this, I want to relate a bit of the story of how the Department of Agriculture grew into its present marketing activities.

From its very beginning the Department of Agriculture has been concerned with marketing. The first congressional appropriation for agricultural work in 1839 authorized the Commissioner of Patents to expend the sum of \$1,000 for the collection of agricultural statistics and for other agricultural purposes. Facts and figures on production and supplies of agricultural products are as important in the marketing as in the production of farm produce. The original authorization was continued and included in the first legislation establishing the Department of Agriculture as a separate entity in 1862.

Through the years since the establishment of the Department, however, the great preponderance of interest and research in the Department has been directed toward farm production problems. That holds true even today.

But there has always been recognition of the fact that the production job was not completed on the farm -- that farm produce had to be taken to the consumer before the job was complete.

Several factors tended to prevent the Department from directing major attention to marketing problems. One was the multiplicity of production problems awaiting attention. Another was the rather strong feeling in many quarters that the Department had no right to concern itself with problems beyond the farm.



As farmers and their customers drew farther apart and the marketing of agricultural products became more specialized and complex, the Department did receive additional assignments relating to marketing. Many of these had to do with regulatory matters assuring the public of sanitary and health protection, or assuring farmers of fair trading practices in the market places that grew larger and became further removed from the farm. Others had to do with service problems, such as the dissemination of market news and the promulgation of grades and standards for trading farm products.

As time went on, more and more of the research and extension functions of the Department inevitably involved marketing developments, as illustrated by the farm cooperative movement. This concern was also extended to the quality of products, which I think is well illustrated by an experience described by Dr. P. V. Cardon, the present head of the Agricultural Research Administration who is here with us tonight.

As I understand the story, he walked out of the main building of the Bureau of Plant Industry a few years ago and observed a wreck along the Baltimore Pike. Going to the scene, he noticed that a large trailer truck had overturned, and some of its contents spilled out on the road. The contents were peaches.

He thought he noted something familiar about those peaches. On close inspection he found that they were baskets of a new and improved variety that had been developed by the Bureau. But the peaches lying on the road were green, solid, and unattractive. They had not been allowed to mature. They had none of the merits and virtues that were promised by the new variety. The long and arduous work of the plant breeders had been worthless if these peaches were to reach the market in this condition.

Dr. Cardon was impressed by the fact that further work had to be done if the consumers were to get the benefit of the investments that had been made in developing the desirable attributes inherent in those peaches.

(over)

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Farmers with the help of science have striven to raise the quality and uniformity of their products to supply the huge urban population that has grown in this country. Through plant and animal breeding, through fertilization and cultural practices, through improved harvesting methods and with constant vigilance to protect the produce until it was delivered to market, they have tried to provide what they believed consumers wanted.

But all too often the quality was lost in long and devious marketing channels or reduced costs on the farm were absorbed in the marketing system before they could be passed on to consumers. Developments of this nature observed many times in many places finally overcame the highly controversial objections to agricultural scientists dealing with agricultural marketing problems. The Department, however, did not quickly acquire funds for this type of work. It was the Research and Marketing Act of 1946 which resolved the issue by authorizing and directing the Department of Agriculture to do marketing research, service and educational work. At this point I would like to acknowledge the courage and foresight of the several Congressmen with us this evening who exercised commendable leadership in making this possible.

The first appropriation for these new, specialized marketing activities was made available in September 1947 - just 4 years ago. Today we are able to see some of the results of this program of activity.

As the Department approached the job of launching a new marketing research and service program intended to provide benefits for marketing comparable with the notable achievements that had been attained for farm production, it was impressed with the magnitude, the scope, the variety and the complexity of the problems involved. There was no clear-cut definition of marketing. Indeed, we do not have a completely satisfactory one yet.

One reason for this is that the marketing job in agriculture tends to be somewhat different from that of industry. If we interpret marketing to mean all the activities and services performed with farm production beyond the farm gate, it encompasses processing, storage, packaging and other functions frequently classified as production functions by industrial plants. In addition, it includes the assembling, transporting, distributing and pricing functions that are universally accepted as aspects of marketing.

In view of this situation, I feel it is appropriate to indicate briefly the several categories of work that are being conducted under the new marketing legislation as a means of showing how the Department has interpreted what constitutes marketing work for agricultural products.

On the theory that effective marketing in a competitive system requires full knowledge on the part of both buyers and sellers, a substantial share of the program is devoted to increasing the information available to participants in the market. Among the activities directed toward this end are the assembly and dissemination of reliable facts on supplies, stocks, movements, locations, disappearance and prices of products, the preparation of current market news on receipts, deliveries and quotations at the principal market points; and the conduct of consumer education on what is in season, how to judge quality and how to use the products.

Another phase of the work is oriented about the products that move through the marketing system. It is largely directed toward maintaining or improving the quality of the products as they move from the farms to consumers. It seeks to reduce waste and spoilage of products which we find are very costly items in marketing margins. It seeks also to minimize quality deterioration as a means of increasing consumer satisfaction and benefits by way of more highly nutritional diets.

(over)



Here are some examples of our work to improve quality which were made possible by the Research and Marketing Act. A new type of crate for shipping lettuce and carrots keeps these products in better condition from farm to market. And the new crate permits 16 refrigerator cars to haul what formerly required 17. Arizona and California growers are now using the new crate and savings in crate breakage alone is estimated at \$300,000 a year.

The use of recently developed electrical equipment for loading out delivery trucks from wholesale stores and warehouses permits two men to do the work of three.

Department researchers have worked out a low-cost mechanical method for dumping field crates of apples which reduces bruising as much as 60 to 70 percent. They have also found that food distributors can reduce the handling costs of fruits and vegetables by 20 to 80 percent through more efficient use of their hand trucks, skids, pallets, and other equipment.

A rather surprising recent discovery is that a lot more ice than necessary is used in shipping lettuce. Western shippers can save about \$440,000 a year by using 10 pounds less ice per crate and still get the product to market in better condition.

Grades and standards have been developed and improved to more accurately identify quality and thereby expedite the trading of farm products. Improved standards also enable the market to reflect quality premiums back to the producers. We cannot expect farmers to strive harder for higher quality production unless they are compensated for their efforts.

Another part of the program is directed toward improving the market place itself. More than 60 different cities in producing areas have requested the Department's aid in studying the adequacy of their market facilities and recommending plans for improvements of such facilities which will reduce their cost of operation and deliver the products in better condition to the consumers.



Detailed studies have been made in some 35 localities, and new wholesale market facilities have been built or are in the process of construction in 15 of these places. The inadequacy of many of the wholesale produce markets of the country has been the subject of five Federal investigations over a period of 40 years. The Agricultural Marketing Act of 1946 instructed the Department to work with the localities that need improved facilities and help them to determine the specific nature of the facilities needed in each place. This was the first organized effort to do anything about this problem, although the problem has been widely recognized ever since World War I.

In cooperation with food retailers, our specialists working under the marketing research program have developed an improved check-out counter which increases the productivity of the checker in a retail self-service food store by some 38 percent, thus effecting a considerable reduction in the cost of performing the check-out operation, speeding up the flow of people through the check-out counters, reducing the congestion in the stores, and increasing the efficiency of the parking lot. Within less than six months after the report on this study had been released, these counters had been installed in more than 1,000 retail food stores.

In a sense all of the work conducted under the Agricultural Marketing Act has as its ultimate goal the reduction of marketing costs through increased operational efficiency. Most of the work I have been describing might be classified as indirect approaches to this goal. Some work goes more directly to the problem by studying the costs and margins themselves. This includes the measurement and comparison of them from place to place, from time to time, or from firm to firm. The analysis of these measurements helps businessmen to identify the points of inefficiency in their operations so that they can be corrected. Such analysis also helps the research workers to direct their efforts to the places where they can do the most good in assisting business operators.

As our research has provided a greater insight into agricultural marketing, I have been struck with the similarity of problems confronting farm and market enterprises.

For example, the hundreds of thousands of retailers selling farm products, like the millions of farmers producing them, are essentially small enterprisers who are completely occupied with their business operations. They have neither the time nor the opportunity to conduct their own research or to keep abreast of research results appearing in technical publications. But when research shows how they can operate more efficiently and the results are brought to them through practical demonstrations, they are quick to adopt new ways.

Likewise, the numerous urban fresh produce dealers cannot individually plan and construct modern facilities. They need the help of experts to make the blueprints and organize the tremendous undertakings necessary. This help can be furnished by agencies dedicated to public service because the benefits derived from aiding these dealers to establish more satisfactory, less costly markets are shared by the producers and consumers as well as the tradesmen themselves.

It has not been my intention to suggest or imply that we in the Department of Agriculture regard ourselves as being pioneers or as being unique in our interest and activities in marketing research. With the recent growth of our marketing work, however, we have felt an increased sense of mutual interest between us and the American Marketing Association and the widespread institutions and organizations represented in the Association membership.

I am gratified to note that members of the Department participate actively in the affairs of the Association, both in the Washington Chapter and in the national association. This evidence of professional standing and professional association of the staff members increases my confidence in their ability to do

marketing work objectively and competently. It is also a source of gratification to me to note the prominent parts played in your Association by officers who have in the past been members of the Department's staff.

I want to express my appreciation once more for the refreshing, constructive approach you have taken toward the research work carried on by Federal agencies. The awards you present are a very healthy gesture that reflects credit on your organization and its members.

In conclusion I want to state my conviction that the results appearing from marketing research indicate that science can do for marketing as much as it has done for agricultural production.

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Reserve

UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary

AUG 29 1962

IN DEFENSE OF FREEDOM

PREP.

Sept. 26, 1957  
Talk by Secretary of Agriculture Charles F. Brannan at meeting under auspices of Alabama State Agricultural Mobilization Committee, Montgomery, Alabama, Wednesday, September 26, 1951, 6:30 p.m., CST.

It is a real pleasure to have a part in this meeting devoted to one of the most urgent tasks in American history -- the mobilization of our agriculture for the defense of freedom in the United States and in the world.

Let me express my pleasure also at being here in the home city of Alabama's distinguished senior Senator, Lister Hill, who has served in the House and Senate for nearly 30 years. I want to pay tribute also to your very able junior Senator, John Sparkman; and to George Grant and the other members of the Alabama delegation in the House. The farmers of Alabama and of the Nation are fortunate in having two great friends of the caliber of Lister Hill and John Sparkman. No State in the Union is represented by more diligent Senators, nor by men more deeply concerned about the genuine welfare of American agriculture.

The whole Nation is fortunate in having the benefit of their knowledge and energies as we mobilize for defense -- as we gather our resources -- and as we defend our freedom.

We have made progress in these tasks. We have made so much progress that the plans of those who seek to grind the whole world under the heel of communist domination will have to be modified.

That could not have been more evident than it was in San Francisco this month

Our there a group of free nations of the world signed a peace treaty with Japan -- a treaty that is unique in history. It is not a document of reprisal, involving huge reparations and other crippling penalties. It is a treaty that will help a defeated people -- will help them regain stature and self-respect in the family of Nations.

What these free nations did at San Francisco marks a great step forward in international relations.

But that is not all. These free nations gave the Soviet Union and its satellites a real diplomatic licking.

And the man who chiefly administered that licking was Dean Acheson, who has guided with a sure and steady hand the foreign policies of our country in the most critical years of our entire history.

After San Francisco, even most of his critics had to admit that Dean Acheson had done a superb job.

We've made a lot of progress -- on the diplomatic front -- on the military front -- and on the economic front.

Yet the very fact that we have made this progress is one of the reasons why the present situation is critical.

Our enemies are confused and uncertain, and you can never tell what a confused, uncertain enemy is likely to do.

This is no time to relax. This is a time to increase our defense efforts. So I am happy to have this chance to discuss with you the part that agriculture plays in our national mobilization.

It's a good idea at a moment like this to step back and try to look at ourselves from a distance. Otherwise, as the saying goes, we might not see the forest for the trees. We might not see the whole picture -- and it is absolutely vital to an understanding of agriculture's role in defense that we do see the whole picture as clearly as possible.

In recent months we've been reading about the plans scientists have for building a space platform, a station of some sort a few hundred miles off the earth.



Not being a scientist, I don't know whether such a platform in space is a practical possibility or not. But for the purpose of stepping back and looking at ourselves -- of getting the whole picture of what's taking place on this globe -- let's suppose we have such a platform. Let's suppose that we are on it. We're looking at the earth through giant telescopes. We direct our gaze first toward certain areas in Asia. What do we see?

We see a great mass of people, seething with unrest. We see four persons out of five living as peasants on the land. We see them working long hours, working with the crudest kind of agricultural implements, or no implements at all; we see them cultivating two or three acres and turning over up to nine-tenths of their crop to the landlord.

We see a mass of people, hungry and malnourished, their bodies preyed on by disease, their minds unawakened by education.

We see in short, a fertile field for the seeds of communism -- an eager willingness to turn to any person or any idea that promises a better life.

That's why we must tell the wonderful story of democracy to the whole world. We must show the power of democracy to solve these bitter problems. And we must live democracy here at home as an example of hope for the less fortunate everywhere.

In some areas of the world, circumstances have led to the imposition of ruthless, cold-blooded Soviet dictatorship -- and there's little that the people of those areas can do about it now.

Now that they are enslaved, they are trained by their masters to look only to the state. They live, they work, and they die for the state.

So we see in much of Asia a vast seething lake of communism, a lake that is seeking to push outward, to overrun other lands -- like the flooded rivers in the Middle West last summer overreached their boundaries and spread destruction over a large area.

That is the danger the free nations are defending against. Just as the people of the Midwest fought the flooded rivers with dikes, sandbags and levees, and now seek more effective permanent protection, so the free nations of the world are working today to build up military dikes, economic levees, and permanent measures in defense of freedom to hold back this restless, dangerous communist lake.

We can turn our telescope on Korea. We see one of the finest armies that ever existed, fighting under the flag of the United Nations; determined to hold and drive back the flood wherever it attempts to surge forth.

We can turn our telescope to Indo-China. There we see the traditionally fine French soldiers fighting their bitter and bloody battle against another part of the communist lake.

We can turn to western Europe. There we see the biggest united effort of all -- a total of 12 nations in the North Atlantic Treaty Organization building a network of dams in economic, cultural and military fields to preserve the cradle of Western civilization against the major threat of the red flood.

Are we going to succeed in this mighty effort in defense of freedom? Are we building fast enough, and strong enough, so that the red lake will be contained -- so that it will not break through and have to be drained in blood?

The next few years may provide the answer.

And that brings us to the purpose of this meeting tonight. That brings us to agriculture and its role in defense -- and to the mobilization committees and your role in defense.

It is hardly necessary to say that agriculture has an important part to play in the defense picture -- in the military aspect and in all other aspects.

Preparedness is not merely steel and manpower.

Preparedness is also food and fiber.

Neither war nor peace can be won without food and fiber.

American food and fiber are both muscle and hope.



It is the great good fortune of this Nation that we have a strong and health agriculture.

Only about one working person out of eight in the United States is actually engaged in farming. The other seven have been released from the need to cultivate the land -- released by the productivity of our agriculture for work in manufacturing, mining, transportation and other industries. Our Nation is able to use most of its available manpower to build the tremendous industrial economy which gives us our position of leadership in the world today.

From time to time we have all heard a great deal about the alleged advantage in manpower the Soviet Union and its satellites possess over the United States. In terms of population numbers alone it is perfectly true. The Soviet Union and its puppet states comprise about 800 million persons -- about one-third of the population of the entire world. This is immense manpower. It impresses one just by its size -- especially when we compare it with our own population of a little over a 150 million persons -- or with the 275 million persons in the free nations of Europe. The communist world outnumber the U. S. and free Europe almost two to one.

But the United States and free Europe -- though outnumbered two to one -- outproduce the Soviet bloc in terms of industrial output by about three to one. We in this country produce about as much industrial output as all the rest of the world combined.

Let us never forget that without an efficient agriculture which has released seven-eighths of our manpower from the need to cultivate the soil, we could not have the industrial or the military might that we possess today.

Nor is this all. The fact that we produce an abundance of food helps to make American labor the most efficient labor in the world. It helps make the American fighting man the best all-around fighting man in the world.

The fact that we produce an abundance of fiber is also vital. This year, as you well know, farmers were asked to increase their acreage of cotton by more than 50 percent -- and I want to congratulate farmers and the mobilization committees on the way they went over the top. (over)



There were very good reasons why the Nation needed this big increase in cotton production. Cotton is a war crop. It is used to make light, strong, weather-resistant and water-repellant fabrics, yarns and thread. It is used in

It is used for tenting and for clothing the armed forces. airplane and balloon fabrics and parachute cloth. And cotton linters are used in making smokeless powder, plastics and photographic film. A bale of cotton linters provides enough smokeless powder for 100,000 rounds of rifle ammunition, over 20,000 rounds of machine gun ammunition, 2,700 anti-aircraft shells, or 85 rounds of heavy tank ammunition.

These facts are all part of the whole picture of agriculture's role in defense.

Our agriculture, as I have already said, is strong and productive. Farmers are geared up to the job of producing a good 50 percent more per man-hour than they did before World War Two. We are producing this year a third more food and fiber than we did in 1940 -- with fewer people in agriculture and only about the same acreage in cultivation.

There are a good many reasons behind the ability of our agriculture to produce more. Farmers have put back into their business a large share of the income they have earned in the past ten years. In 1940 American farmers used about five billion dollars worth of equipment. This year, they are using 17 and a half billion dollars worth of equipment. Even allowing for price increases, agriculture is now using two and a half times as much farm equipment as it did in 1940.

This has a great deal of meaning as a factor in farming efficiency. It means that a man can do his field work when conditions are right. He can finish plowing when otherwise he would be caught by a rainy spell. More often now, he can get the weeds out of the fields before they do too much damage. He can harvest his crops faster and more conveniently.

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Another big factor in farming efficiency is the immense progress that has been made in bringing electric power into rural regions. Nearly nine out of ten farms throughout the country now have power line service -- back in 1935 when the REA was started the reverse was true, nearly nine out of ten farms did not have power line service.

In the past few years farmers have improved their buildings and fences. Many have invested in higher quality livestock and in improved varieties of seed. With the aid of the soil conservation programs, many farmers have adopted practices and systems which maintain or improve the soil and increase yields.

Another factor of great importance in today's production is the increased use of fertilizer, and more efficient application of fertilizer. Back in 1940 farmers used about 1.8 million tons of plant nutrients in the form of commercial fertilizers. This year they are using nearly five million tons.

Since the end of World War Two, several important new insecticides and other chemicals used in farm production have become generally available.

These are statements that apply to the country as a whole. But I am entirely sincere in saying that I don't think any section of the country has made as much agricultural progress in recent years as the South.

You have diversified your production.

You have expanded your livestock industry.

You have increased mechanization.

You have improved your pastures.

You have proved that the old belief that the South had "poor soils" is just a myth. On the contrary, given proper nutrients and wisely used, your soils compare<sup>very</sup> well with those of any part of the country. Corn yields in the South have gone up 75 percent in the past five years.

These changes are reflected in the general condition of your agriculture.

The proportion of farms operated by tenant-croppers has sharply declined.



Ownership has increased, and many other farmers who are not owners have become independent tenants.

I venture to say that the greatest gains in the country in the level of living of farm-operators are being made in the South.

The South has used to great advantage the programs for price support conservation, electrification, and agricultural credit. These programs were brought into existence by cooperation and mutual understanding on the part of people in all walks of life and from all parts of the country.

All this has shown up in the production records that are being established this year. In all sincerity I congratulate the farmers of the South on the very good job they are doing.

Now what does all this progress mean? Does it mean that we can slow up -- that we can coast along for a while?

Not if we want to play our full role in the defense of freedom.

This year's farm production is setting a new all-time record. But next year we will want to push the record even higher. I'm talking now about over-all production, not about any one crop.

The Department will do its best to provide the information farmers will need as they plan their operations.

Already we have announced guides for wheat and other fall-seeded crops.

The national wheat goal is a little higher than this year's planted acreage. Although wheat is not one of your big crops, I might mention that in Alabama the goal calls for a 36/<sup>percent</sup> increase over this year's indicated acreage.

The goal for oats in Alabama calls for an increase of 59 percent over this year's indicated acreage.

For winter vegetables, the national acreage suggested is about 6 percent more than the 1951 acreage.



Goals for spring-seeded crops will be announced later this fall.

To assure adequate supplies of feed grains we have just recently announced a higher level of support price on 1952 crop oats, barley, rye and grain sorghums.

So the immediate future is not going to relax the pressure on agriculture. On the contrary, the pressure is increasing -- and I would say that the pressure on the mobilization committees particularly is going to increase.

Agricultural productivity depends more than ever before on machinery, fuel, rubber, chemicals, as well as scientific management and skilled manpower. Not much new land is immediately available for economic production. Farm labor is growing scarcer. Most of the supplies and equipment needed are made in part from scarce or critical materials, which are becoming harder to get.

We need adequate supplies of farm machinery together with essential repair parts to relieve in part the growing manpower shortage. Without the machinery and parts agriculture needs, production would be badly handicapped. We can't go back to horses to take the place of a shortage of tractors or of fuel. First, we don't have the horses, and second, even if we did, the result would be less production per man and less production for human consumption.

Fortunately, the rate at which farm machinery was produced during the first six months of this year set an all-time record. But for the current quarter of the year, production fell to about the level reached in 1949. And in the fourth quarter of this year, we expect a drop to about 80 percent of the 1949 level. On the demand side, according to a recent survey, farmers need 15 percent more new machinery and 20 percent more parts than they received in 1949.

As matters stand right now, farmers in general still seem to have a fairly adequate supply of machinery on hand. But some farmers don't. And some items of farm machinery are scarcer than others, for example, cotton pickers, crawler tractors and crawler tractor repair parts.

(over)

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What worries us, therefore, is not so much the present supply situation as the downward trend in machinery production.

So far as pesticides are concerned, the supply this crop year has been generally adequate. Industry has increased production of preferred types of pesticides this year to about half again as much as last year's production. There were some distribution problems which prevented some farmers getting supplies when they wanted them; but where these problems were brought to attention, measures were taken to meet such scattered shortages.

One of our biggest headaches, however, is the fertilizer situation.

Increased and more efficient use of fertilizer could be a valuable asset in future abundant farm production. As I mentioned earlier, the fact that farmers are using about 5 million tons of plant nutrients this year in the form of commercial fertilizers, compared with about 1.8 million tons back in 1940, is partly responsible for this year's record farm output.

But though we have greatly increased the use of fertilizers, we need to speed up the rate of increase in the years ahead. We are not using enough fertilizer this year. The Department estimates that the Nation fell half a million tons short of the desirable quantity of nitrogen for use in feed grains and pastures this year. Besides this current deficit, we need to add another 100,000 tons of nitrogen a year to take care <sup>of</sup> our growing population.

We seem to be in a relatively better position to supply potash needs, but supplies of phosphates are expected to decline next year because the sulfur and sulfuric acid needed for superphosphate production are scarce.

We are working on these problems in two principal ways. First, we are pressing hard for increased industrial production of fertilizer materials in order to bring about a better balance between supplies and needs. Second, we are promoting more efficient use of fertilizer materials within agriculture.

It is in this second part of the overall job that we look to the agricultural mobilization committees to do a bang-up job in the states and counties. That's where it counts. You can do a tremendous service to the cause of freedom and security by carrying out your part of the mobilization task day by day and week by week.

By urging and example, you can help farmers to use their equipment and supplies more effectively.

You can guide them on production needs and on shifts in production.

You can help them make better use of their grasslands and pastures through the conservation programs and other programs.

You can help them control the enemies that hold back production -- whether insects, rodents, disease, fire, accidents, or whatever.

I want to say that the mobilization committees have been doing a grand job.

We deeply appreciate your efforts. We wish we could tell you that you might take a rest now, because, goodness knows, you've earned it. But instead, I must ask you to work at this vital job of agricultural mobilization even harder -- longer -- more intensely than ever.

I have complete confidence in you. I know that you will continue to do your part.

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The first of the year was a very dry one, and the crops were much injured by the drought. The weather was very hot, and the crops were much injured by the drought. The weather was very hot, and the crops were much injured by the drought.

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The twelfth of the year was a very dry one, and the crops were much injured by the drought. The weather was very hot, and the crops were much injured by the drought.

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AGRICULTURE'S CHALLENGE

Talk by Secretary of Agriculture Charles F. Brannan at opening session of 29th Annual Agricultural Outlook Conference, Monday, October 29, 1951; 10:00 a.m. EST.

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I am glad to be with you again at this 29th Annual Agricultural Outlook Conference.

I think it must have been one of these outlook conferences that once caused an economist to make an observation something like this: "Man lives for the future but acts in the present." That idea holds an extra measure of truth for us today. In these troubled times, when the fate of the Nation may well be at stake, our actions must more than ever be governed by future considerations. We are not merely passive spectators; the actions we take today will do much to determine the kind of future humanity will have, not only in the United States but also over the whole world.

Consequently, the current agricultural outlook is one of the most important in the history of this country. American farmers and those who work with and for them must make some vital decisions -- decisions on the basis of which we act today and thereby help shape tomorrow. I am aware, of course, that our analyses and the decisions which will flow from discussions such as those that will take place from now forward to planting time next spring, are necessarily based on incomplete information. Omniscience is not man's prerogative. However, the chances of bringing the kind of tomorrow we want are best if we act in accordance with such facts and knowledge as we can bring to bear on our particular problems. There is an obligation in these times to act only after considered judgment.

This brings me to the central reason why I am delighted to participate in these Outlook Conferences. Here we devote our best efforts to examining what's ahead for that basic segment of our population, the farm people; and in the discussions which will follow at the State and local level, you bring to focus all of the economic research and fact-finding facilities of the U.S.D.A. and of the Land-Grant Colleges and Universities. This conference is a vital link in this process of gathering, interpreting, and disseminating economic information to the men and women on the farms who will use it not only in making their individual decisions but also as a basis for arriving at decisions which have to do with farm programs and the welfare of the Nation generally.

You will have before you during this conference a great deal of detailed material relating to the current economic position of farm people, current and probable future trends in acreage, yield, livestock numbers, prices, stocks, domestic consumption, and foreign trade for the different commodities. This will be supplemented, I am sure, by a continuous discussion of probable supplies of production goods and the entire farm cost situation. Each field of fact is important. But none stands alone. Each is related to the Nation's defense effort. And the total outlook itself is not merely an economic outlook but a defense outlook.

American agriculture -- American farmers, if you please -- face a tremendous challenge, one of the greatest in our history. Here, briefly, is the job farmers are expected to do:

They must produce enough to supply the Nation's growing military forces with food and the growing defense industries with raw materials.

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They must produce enough to supply with good diets the 150 million people who make up the Nation's civilian population and, so far as it is possible, enough more to carry at the same time a safe margin of strategic reserves.

They must produce enough to back up the Nation's foreign policy by enabling us to continue to share our food and fiber to the fullest possible extent under sound arrangements with friendly countries in need of help.

Perhaps another way of summarizing agriculture's role in the defense effort is to refer to the question which I raised in opening last year's Outlook discussions: "What is the maximum contribution agriculture can provide to the Nation's mobilization?" And my answer in one word was, "Production."

We are very fortunate in this time of world crisis to possess an efficient agriculture.

Today, with the 1951 season nearing an end, we know that farmers have established a new production record.

Farmers are now gathering in one of the largest crop harvests ever realized in this country, a harvest which has been substantially exceeded in only one year, 1948.

Livestock production is at an all-time record level. This was achieved despite the fact that the 1951 growing season was far from satisfactory in many areas.

Over much of the country, the weather at critical periods from planting time through the main growing season ranged from unsatisfactory to distinctly bad. Spring planting was delayed over much of the Midwest. It was too dry in much of the South and Pacific Northwest. Disastrous floods struck in Kansas and Missouri.

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There were also other obstacles to production during 1951. For 35 successive months now the estimated number of people working on farms has gone down from the number for the same month of the preceding year. Altogether, our farm employment has shrunk by about 1-1/4 million workers in the last 5 years, with over one-third of this decline occurring during the last 12 months. Farmers have also found themselves faced with steadily increasing costs. Handling increased acreage runs up expense, and of course there has been a steady rise in the average per unit cost of materials and labor.

But I repeat that, despite these difficulties, the record has been good. Total farm production, whether measured in terms of total farm output (including increases in livestock inventories), or in terms of the volume of agricultural production for sale and farm home consumption is currently estimated at over 40 percent above the 1935-39 average and some 4 percent above last year. This is well in line with the over-all goals recommended for 1951.

A cotton crop of almost 17 million bales, or 69 percent above last year, was indicated by the October Crop Report. The wheat crop was estimated at just barely under 1 billion bushels. While this is the smallest crop since 1943, we have stocks of almost 400 million bushels, so that in the 1951-52 marketing year we should have some reserves over and above domestic and foreign requirements. The Nation's 1951 corn crop is forecast at 3.1 billion bushels, the same as last year, and the total supply of the 4 major feed grains is about 150 million tons, 7 million tons or 5 percent less than was available at the beginning of the 1950 feeding season.

On the livestock front, milk and egg production so far this year are holding almost level with a year earlier despite the somewhat shorter feed supplies and rising farm costs. The number of pigs saved in 1951 will probably run about 106 million head. This is the second largest pig crop in our history. It is 5 percent above the number saved last year and 28 percent above

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1946. And, although farmers and ranchers did not move as many beef cattle to market this year as we had anticipated, cattle production has continued sharply upward. The number of all cattle on hand January 1, 1952, may run 90 million head or better, as compared with the record 84 million head on hand January 1, 1951.

This means that the productive capacity of our cattle herds has been substantially increased. More beef is in prospect for the future.

Some increase in the number of sheep and lambs on hand this coming January 1 also appears probable.

The effect of these large supplies of farm products has been apparent for some time. Prices have been going down.

The index of prices received by farmers declined some 22 points, or by 7 percent, from February into September. At the same time consumers generally have been able to obtain adequate supplies of all kinds of food, our cotton mills have been running at a high rate, and foreign shipments of American farm products have been liberal. Farmers are making a magnificent contribution to the defense effort in 1951.

In recent weeks we in the Department have been at work on the preliminary outlines of a production program for 1952. Production is all-important, but at the same time I am sure we all realize that the task facing farmers for the coming year is not simply one of uncritically increasing production of everything.

In working out suggestions for a production program for 1952, we must start with the kind of factual materials and analyses around which our agricultural outlook work is built. Further, in trying to strike a balance between prospective needs and attainable production, we are also leaning heavily on the productive capacity estimates for 1952 that were prepared by State committees at

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the several State Experiment Stations during the past few months. These State-by-State indications of attainable production in 1952, having in mind the need for conservation, good crop rotations, and desirable farm management practices, are very helpful.

We are not yet ready to finally determine and release production guides for the various crops. There are still some items on the requirements side which need further consideration, and I am sure you also understand that our preliminary suggestions should go to the field for review and comment before arriving at any final opinions. We do feel, however, that production guides for crops especially, will be a valuable aid to farmers in working out their plans for the coming year. Acreage goals for wheat and the other fall-planted grains have already been released. Goals for the spring-planted crops will be announced later this fall.

Meanwhile, there are some questions with respect to the working out of our suggested goals to help guide production for 1952 which I should like to review briefly.

I called your attention last year to the fact that one of the major farm problems was the maintenance of an adequate feed base for livestock production. This is still true. When the State estimates of productive capacity were summarized into national totals, it was evident that desirable livestock numbers are greater than our concentrate feed supplies are likely to support unless we are willing again to reduce our feed reserves in 1952. All the other information available to us also emphasizes this same need for continuing attention to the feed situation and the feed-livestock balance.

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Frankly, the carry-over of feed grains on October 1 this year or in prospect a year hence, assuming average yields, offers too little protection against adverse weather or emergency demands. Our year-end feed grain stocks are currently estimated at about 29 million tons, including about 750 million bushels of corn as of October 1. The production of feed grains in 1951 is about 4 percent below 1950, while there are apparently over 4 million, or over 2 percent, more grain-consuming animal units to be fed. This means that reserve supplies of feed grains are likely to be drawn down further during the coming year. By a year from now, our stocks may be down to only about 20 million tons. These facts clearly indicate the need for increasing feed-grain production as much as possible in 1952.

In terms of per acre yield, corn is the most productive of the feed grains. Farmers were asked to plant about 90 million acres of corn this year, and the estimated actual acreage was a little over 86 million. With the continuing need for large supplies of feed grains, you can easily see why the establishment of acreage guides for corn offers one of our more difficult problems. How far can the Department ask farmers to go in maintaining or increasing acreage of intertilled crops? Is an increased acreage of corn desirable even at the cost of some inroads on other crops? These are the kinds of questions which must be faced and answered.

It appears to some of us, for example, that corn acreage might be increased to some extent by cutting into the oats acreage and some of the poorer stands of hay and pasture in the Midwest. But if some of the poorer stands should be shifted to corn acreage temporarily, it becomes more important than ever to find ways of improving the yield of hay and pasture acreage generally; also to plan on reseeding more land in 1952 for new grass and legume stands in 1953. The feed goals problem is also complicated by the fact that soybeans and corn are direct

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competitors for acreage over much of the Midwest, while wheat, cotton, and grain sorghums compete for acreage in the Southwest.

Since farmers' ability to maintain livestock largely depends upon the feed situation, we have a strong feeling that the goals program for 1952 should again be concentrated on crop acreages rather than on livestock numbers. In this connection, we should remember that hogs and poultry consume over 60 percent of our concentrate feeds while cattle, especially beef cattle, are much more dependent upon hay and pasture. However, our increasing cattle population will soon reach the limit of forage or roughage supplies unless hay and pasture yields are increased. It is for this reason that we must continue emphasis on the grasslands program which is being jointly sponsored by the Department and the Land-Grant Colleges. Grassland improvement is essential.

In considering desirable production for 1952, we will also have to give careful consideration to the cotton situation. As you know, a short crop in 1950 and the rapidly increasing demands for cotton following the Korean outbreak created a relatively tight supply position. This was reflected by the carry-over of old stock cotton of about 2.2 million bales on August 1 of this year, the lowest carry-over since 1925. And I am sure you realize that cotton supplies are still relatively short, despite the fact that farmers increased acreage more than one-half and that a crop of almost 17 million bales was indicated as of October 1. Current indications are that stocks on next August 1 will not run more than about 3 million bales, while all the evidence so far available indicates that demand for cotton will remain strong for the duration of the defense period. However, careful consideration must also be given to the acreage needs for crops other than cotton in both the South and the irrigated areas of the Southwest.

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These are not the only problems we encounter when we try to establish practical guides for the coming year's production. Obviously, a goal is not practical unless farmers are able to get the necessary materials for production. The key to some of our most critical farm problems lies largely in the hands of American industry. The upward trend in farm productivity over the past decade has been due in large part to the use of greatly increased quantities of fertilizer, insecticides, and farm machinery.

In 1940 farmers used about 1.8 million tons of plant nutrients in the form of commercial fertilizers. On a not greatly different acreage in 1951, farmers will use 5 million tons. The increasing use of insecticides has also been spectacular. In 1940 farmers were using 3 billion dollars worth of equipment. Today they are using equipment valued at more than 15 billion dollars.

In short, farmers are currently using almost 3 times as much fertilizer as they did a short decade ago and they have over 5 times as much invested in farm machinery. It is obvious that farmers cannot perform successfully without adequate supplies of fertilizer, insecticides, and other production requisites, as well as an adequate flow of farm machinery.

The Department of Agriculture, as claimant agency for agriculture and related food industries, has made, and is making every effort to bring the Nation's mobilization planning program into accord with the essential needs of American farmers. Agriculture has come through this year's harvest season in pretty good shape. But agricultural plans must be worked out at least a year in advance. Farmers are faced with the fact that the defense program is just beginning to put the squeeze on the industrial materials available for agriculture.

Production of farm machinery was at an all-time high rate during the first 6 months of this year but fell off during the third quarter to about the 1949 level. In the fourth quarter, production is expected to drop still further, to

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about 80 percent of the 1949 level. We believe farmers have a fairly adequate supply of machinery on hand at this time, except for such equipment as cotton pickers, crawler tractors, and various other specialized machines. But the present sharp downward trend in production of machinery spells danger for the future. The best estimates we have been able to work out indicate that farmers need, and can well use, a volume of new farm machinery and equipment in 1952 equal to 115 percent of that purchased in 1949. And, taking into account the increased quantity of farm machinery now on hand, 120 percent of the quantity of repair parts which were purchased in 1949 could well be used in 1952.

With respect to pesticides, the supply during this crop year appears to have been generally adequate. For example, the production of benzine-hexachloride, the chief poison for the cotton boll weevil, was up approximately 50 percent in 1951 over 1950. D.D.T. production was up by about 25 percent. These increases in production have served to enlarge carry-over supplies somewhat for next season and have helped to replenish the empty "pipelines" resulting from the shortage last fall. We hope that this situation can be kept reasonably well in hand through 1951.

The fertilizer situation is one of our greatest concerns. This is because fertilizer, when used under proper conditions and in conjunction with other desirable practices, can bring about an increase in production of all crops more quickly than any other single influence. In 1952 the total tonnage of commercial plant nutrients probably will exceed the record supplies available for the year ending June 30, 1951. But there is a serious question as to whether that will be enough to meet fully the anticipated demand.

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Let me turn now from agriculture's role and problems in the defense effort and talk a little bit about farm returns. You all realize that farm returns must be reasonably attractive if farmers are to be asked to assume the risks and costs involved in full production schedules. This is one of the factors to which serious consideration must and will be given in connection with the final determination and announcement of any suggestions for increased production which may come from this Department.

Meanwhile, the farmers' contribution toward the defense effort must not be forgotten when we begin to talk about farm income and the status of farm people. In some ways 1951 was a good year for many farmers, at least as compared with 1950. But the rise in farm prices into last February and the improvement of farm income this year as compared with last have been badly misinterpreted and over-emphasized in many quarters. The net realized income of farm operators -- that is, the funds which they can actually lay hands on during the year as a result of their farming operations after paying the necessary production costs -- is now estimated at only about 15 billion dollars for 1951. This is better than the 12-3/4 billion dollars realized in 1950 but it is still well below the 17 billion dollars net income which farm operators realized in 1947 and the 15-3/4 billion dollars realized in 1948. Further, these income estimates must be interpreted in the light of the fact that prices paid by farmers for goods used in farm family living are currently running about 13 percent above prices paid for the same goods and services in 1947 and 7 percent above 1948.

Farm prices and farm incomes, however measured, are certainly not at any high or unreasonable level compared with prices of other commodities or the incomes of other groups within the American economy.

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Here is an example of what I mean: The pre-korea peak for per capita incomes, both farm and nonfarm, came in 1948. Since that time, farm people's average per capita incomes from farming have gone up only about 6 percent or about half as much percentagewise as incomes of nonfarm people. And since farm incomes run far lower than nonfarm, the actual per capita dollar increase to farm people has been only about a fourth as great as the increase to non-farm people.

On the whole, I would say that inflation has not been particularly kind to farmers and that they -- like all the rest of the people -- will benefit from a strong stabilization program based upon heavy production.

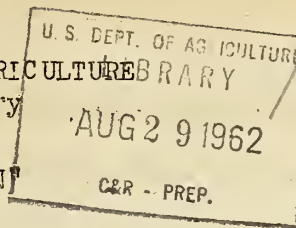
Farmers have done a good job in 1951. And I have faith that they are able to, and will, further increase total agricultural production in 1952. I sincerely hope, as well as believe, that this is so, and all Americans can well join in that hope. For an efficient, highly productive American agriculture is essential to our national defense -- and in fact to the security of all the free world.

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Nov. 14, 1951

UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary



"TILL TAUGHT BY PAIN"

Talk by Secretary of Agriculture Charles F. Brannan at annual meeting of Association of Land-Grant Colleges and Universities, Houston, Texas, Wednesday, November 14, 1951.

(Release on delivery, approximately 11 a.m. CST.)

The title of my talk consists of four words which can be found in a poem by one of the great classic writers of the past. The four words are "Till Taught By Pain." It may take a little time before you will see how those four words, "till taught by pain" apply to this talk; but for the moment, please take my word for it that they do apply.

I am sure that I don't have to dwell on the fact that I appreciate the annual opportunity to take part in these meetings of the Association of Land-Grant Colleges and Universities. I prize these gatherings because they bring us together as old friends. But I prize these meetings also, apart from the renewal of friendships, because they are a challenge to all of us, a challenge to dig deep into the problems of American agriculture.

In your two most recent annual meetings, I have taken the liberty of talking with you about problems that are even larger than American agriculture. Two years ago we discussed the Point Four Program, its potentialities and our responsibilities. The way the Land-grant colleges have participated in Point Four projects has been wonderfully encouraging. Colleges and universities in Texas, New Mexico, Arkansas, North Carolina, Minnesota, Wisconsin, Utah, and Purdue in Indiana have signed up for a number of very important projects. Other colleges and universities are helping tremendously by supplying professionally skilled personnel for Point Four Projects.

Last year we talked about land tenure problems and about the beacon of hope that we in the United States can hold out to a world, much of which is restless

with hunger and misery, largely because of land tenure difficulties.

Here again the land-grant colleges have been thoroughly cooperative. The conference on world land tenure conducted at the University of Wisconsin these past several weeks is an example of that cooperation. The permanent Land Problem Research Center that Iowa State College is proposing in conjunction with other interested organizations is another example.

I told you last year of my belief that groups and organizations interested in improving American agriculture could unite in a definite, vigorous program to strengthen family farming in this country. As one of the first phases of such a program, we initiated this year a Nation-wide discussion of ways in which family farms can be strengthened and served better by governmental agencies.

Though the Family Farm Policy Review encountered a certain amount of pre-fabricated misunderstanding, it stimulated immense interest in most states and counties. The results of these discussions have been forwarded to Washington and are now being studied. I am glad to have this opportunity to say thanks for the cooperation of the land-grant colleges. I would like to say to each of you who helped that I deeply appreciate your fine efforts.

During recent months, the land-grant colleges and the Department of Agriculture have given a great deal of emphasis also to our joint effort to strengthen the Nation through grasslands improvement. Already this program has gained significant momentum. It is aimed at some of our most urgent problems, including the need for feed to support larger livestock production and the need for conservation of land resources. It is finding a wonderful response and it will become more and more important as time goes on.

Again, within the last few months, the colleges have been cooperating with the Department in estimating the productive capacity of our farm plant. This study has already yielded a valuable set of estimates for 1952 which will serve as one



of the principal bases for determining production guides or goals for 1952.

It seems to me that you in the colleges and universities and the folks in the Department of Agriculture have reason to be proud of this record of cooperation and progress. I am sure the record of cooperation in the future will bear out the rich promise of the past.

When I received and accepted some months ago your kind invitation to speak here, I was not at all sure what general subject I should choose. Then, as the weeks went by, a subject began to take form in my mind. It is a subject that I believe everybody is interested in. It is something that has challenged man's mind from the beginning and that will no doubt continue to challenge and engross him to the end. I'm talking about "tomorrow" -- in this case, the tomorrow of our people and their resources.

I realize, of course, that it is a venturesome undertaking to talk about tomorrow. It reminds me of the little boy who came home to his mother and boasted that he'd won a prize for being best in his class in arithmetic. Teacher, he said, had wanted the answer to 2 times 20 -- he had said 36 -- and was closer than anybody else.

So, too, when I talk about tomorrow, I'll be extremely gratified if only I strike close to reality.

The tomorrow I have in mind will not arrive in 1952, or 1955, or 1960. I'm thinking about a tomorrow a quarter century from now, the tomorrow of 1975. And I'm thinking about it in terms of people and resources.

I assume that this Nation is going to put forth the necessary effort to come through the critical period in which we are now passing and that at some future date we shall live in a world with a larger measure of economic and political stability than the present world. I don't assume necessarily that the next decade

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will be one of peace, or that it will be one of war. I do assume that whatever it brings, the United States of America will survive as a free nation. Otherwise, I don't believe that there would be much purpose in talking about the tomorrow in 1975.

There are some aspects about the tomorrow of 1975 which shape up with a fair amount of clarity. One such aspect is the growth of our population. There are now between 150 million and 155 million persons in the United States. Perhaps the most probable estimate of what our population might be in 1975 would be a figure in the neighborhood of 190 million -- that is, 25 percent more people than now. Under less favorable conditions, we might have only 165 million persons; under more favorable conditions, we might have 200 million or more.

We can assume that the 190 million persons of 1975 -- to take the middle estimate -- will want to eat at least as well as our 150 millions-plus are eating today. In other words, they will want fully 25 percent more food than is now available for domestic consumption. In all probability they will want better diets than we have today. It may be, however, that foreign markets for our agricultural production will not take as large a proportion of our total output in 1975 as during recent years.

Let us see if we can put into rather graphic terms the food needs of a population of 190 million persons, assuming that they would want approximately the same kind of diets that we are enjoying today.

What will this mean, for example, in terms of milk? We now produce about 120 billion pounds of milk a year. In 1975, to meet the needs of the medium estimated population, we would need 150 billion pounds. In other words, for every four quarts of milk we are producing now, we'll need another, a fifth quart, in 1975. Or to put it still another way, we'll need all the milk now being produced plus an amount equal to the production of New York, Michigan, and Wisconsin.

What will it mean in terms of beef, veal, pork, lamb, and mutton? It will mean all of our present production, plus another 5-1/2 billion pounds. For pork alone, it would mean all of our current output, plus an amount equal to the 1950 pig crops of Iowa and Nebraska.

What would it mean in terms of eggs? All of our present egg production -- plus 15 billion more.

On the basis of average production per acre from 1945 to 1949, it would take about 100 million acres of extra land to provide the additional food needed to fill that fifth plate at American tables in 1975. A hundred million acres is roughly equal to the combined farming areas of Wisconsin, Michigan, Indiana, Illinois, and Ohio.

Where are these 100 million extra acres coming from? The Western frontier, for the most part, disappeared more than half a century ago. Moreover, 50 million acres or more now in cultivation are not physically fit for permanent crop use. They ought to be in grass or in trees.

Since the frontier closed, we have had another source of land which became available for human food. About 65 million acres that used to produce feed for nearly 27 million horses and mules on U.S. farms have been released from this type of production by the substitution of tractors and other machine power on farms. This source of "new" land is also just about exhausted.

I imagine that some of you are now beginning to see meaning in the four words of my title "Till Taught By Pain." Some of you may be two or three jumps ahead of me, and you may be assuming that I am going to say it looks like we'll have a hard time in 1975 finding land enough to support 190 million people.

But that's not quite accurate either. I am not unduly pessimistic about our land prospects in 1975. We have a problem but we have already made a good start toward its solution. We know it can be solved if we go more vigorously

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at the job of conservation farming. Not for a minute do I subscribe to the idea that Americans had better enjoy their steaks now because our land problem is such that steaks will be a lot fewer in the years to come. Such scare talk, to my mind, is not warranted; it's on a par with the scare talk during World War II that starvation was just around the corner for this Nation.

We do definitely have a land problem; but we are not hard pressed for land as many countries are. If we were there are several things we might have to do about it. We might have to change over to a diet containing fewer livestock products. Such a diet would be nutritionally adequate but less tasty. With such a diet we could support a far larger population. Or we might have to bring into cultivation a great many acres which, under present conditions of food supply and demand, it is neither economical nor wise to use.

In Ohio yesterday I talked extensively about our soils problems. I told the National Milk Producers Federation that the declining trend for soil productivity on some of the most productive soil is a very pressing problem. Fortunately, we can do something about it. Our modern concept of conservation farming provides for applying the necessary practices on a farm to increase production and to build up soil productivity, both at the same time. We need to push harder at the job of REBUILDING STRENGTH IN OUR LAND.

So far we are not hard pressed for land -- and we don't want to be. We seek conditions under which our agriculture will be able to produce enough food and fiber without the use of uneconomic land and without forcing a change over to a less attractive lower-cost diet.

There is now available to the American people as a whole about a third more meat than was available in the period from 1935 to 1939. We are eating around 15 percent more meat per person than we did in 1935-39. We are eating, per person, a good deal more fruits and vegetables. We are eating per person this year 13

percent more of all foods than we did in 1935-39. Not only do we want to keep on eating this tasty, nutritious diet; if possible we want to improve it.

For close to two decades, the people of the United States have been adopting programs and policies which have tended to make this improved diet possible. We have accepted the principle that agriculture cannot be expected to produce abundant crops and to exercise reasonable care of the land without some assurance of economic protection. That is why we have price support programs, credit programs, marketing programs, a limited crop insurance program, production guides, and other economic aids to farmers.

We have also accepted the principle that conservation and improvement of the land are not solely the responsibility of the owners of the land. The Nation, as a political, social, and economic entity, has a stake in land conservation and improvement. Consequently, we have adopted programs which provide technical and financial aid to farmers in the basic job of using the land in ways which will not injure it for future production. We are pressing forward with the grasslands program to which I referred earlier.

We have accepted the principle that improved farm practices and technical advances are vital to a sound and prosperous agriculture. Consequently, we have expanded research programs already in existence and established new laboratories and facilities for the improvement of agricultural efficiency. We have also established rural electrification and rural telephone programs to improve agricultural efficiency and to make living on the farm more convenient.

We have long accepted the principle of education for better farming, the extension principle, which the land-grant colleges have done so much to make a tremendously effective force in our national agricultural picture. The results

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of all these varied activities are partly responsible for the astonishing lift in agricultural productivity that has occurred, particularly in the past ten years.

American farmers this year are producing about a <sup>fourth</sup> more food and fiber than they did ten years ago, and a larger proportion of it is available for human use. They are doing it with only about six percent more planted acreage than they used ten years ago. They are doing it with one and one-third million fewer workers on farms than there were ten years ago.

What this means is that farm workers today, compared with ten years ago, are producing about 40 percent more output for every hour of work.

There are a sizeable number of factors behind this record. You know them all just as well as I do: better crop varieties, better use of improved fertilizers, better management of farm lands, wider use of conservation measures, faster gaining and higher producing livestock, more tractors, combines, corn pickers, milking machines, cotton pickers and strippers, hay driers, feed mixers and grinders. There is more electric power on farms, not only because the number of electrified farms has increased from two million in 1941 to more than four and a half million today; but also because energy use per farm has more than doubled in the past ten years.

These trends will continue into the future. We expect to have the science and the machines, the fertilizers, and the plant varieties to go on increasing yield per acre, production per animal, and output per worker. The old saying that most farmers don't farm nearly as well as they know how, is literally true.

But there is a limiting factor, a factor to which we have given far too little attention in the past. It isn't the economic factor. It isn't the science factor or the manpower factor or the mechanization factor. It isn't, at present, the land factor, though we do have a problem of conserving and rebuilding the productivity of our soils.



The limiting factor I refer to is mentioned in the poem, Don Juan, by Lord Byron:

"Till taught by pain

Men really know not what good water's worth."

But, someone may say, we've been dealing with water in our land conservation programs. Conservation is largely a matter of regulating the flow of water on the land.

True, but note where the emphasis has been placed. It has been placed on conservation for the land's sake -- conservation of land, rather than conservation of water.

Events of recent months have shown very clearly the need for an integrated over-all, national water conservation policy. In the 'thirties the Nation was "taught by pain" -- the pain of the dust bowl days before we awakened to the danger of land erosion.

In the 'fifties we are again being "taught by pain" -- the pain of droughts and floods -- to realize the need for far more effective water control and water conservation.

Water is becoming more and more a limiting factor to national progress. There is serious need for improved measures that will permit us to make more effective use of the rain that falls on the land and the water that flows from it -- not only for agriculture but for our entire economy. In agriculture we need to learn much more about the interrelationships of soil, water, and crop production. We need intensive effort to hold more of the rain on the land where it falls. In the humid areas, we need much more intensive examination of the potentialities from supplemental irrigation. We have water problems clear across the Nation.

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For years the water table in California has been falling. Water for Los Angeles comes all the way from Colorado.

Last year the water situation in New York City, the Nation's largest population center, was so serious that restrictions were placed on drinking water in the restaurants and hotels, and the authorities appealed for "bathless Thursdays."

One of my colleagues told me the other day about conditions in Raleigh, North Carolina, where he had recently been. In the hotel, he found placards urging guests to take no more drinking water than they would actually use. They were requested to draw no more than 3 inches of bath water. And residents of the city are faced with severe financial penalties if their water bill this year runs more than two-thirds as high as last year's bill.

This year people in many sections of the country have been taught by pain -- by pain of floods in the Missouri Basin and the upper Middle West -- by pain of drought in the Northwest, Southwest, and East.

Disaster areas due to too much or too little water were designated by the Farmers Home Administration in 24 of the 48 States, plus Hawaii.

Yes, we are being taught by pain what happens when we have too much water in the wrong place, or not enough at the right time. We are being taught by pain that water is becoming more and more the limiting factor in our future development.

Water is necessary for agriculture, but it is a vital factor also in industrial production. It takes water to produce meat and milk, but it also takes water to make steel -- 65,000 gallons of water to produce a ton of steel.

Increases in water demand are 25 to 50 percent ahead of increases in population. In many localities water demand has doubled in the past decade or will double in the present decade.

But not only is water one of the limiting factors in our future development. I believe that improvement in the use and conservation of water may hold the greatest present opportunity for the enrichment of the American people, farm, village, town, and city.

I mentioned earlier that the food needs of a population of 190 million persons in 1975 would call for production, based on average yields from 1945 to 1949, equal to the output of 100 million extra acres. We can meet this need wholly or in part by increasing yields per acre and production per animal. We can meet it also, at least in part, by adding extra acres or extra productivity through a sound water policy. A few years ago the Department estimated that about 57 million acres of land were awaiting future development and improvement by drainage. Within arid or semiarid regions of the United States, the Department estimated there still remained sufficient unappropriated water to irrigate about an additional 20 million acres.

There is, of course, a tremendous opportunity ahead in the over-all development and improvement of the Nation's river basins.

The Northeast is hungry for low-cost power. The St. Lawrence seaway and power program could provide just about the cheapest hydroelectric power in the world. But we're still waiting for the go-sign. The full resources of the Niagara, Connecticut, and Delaware rivers are still unharnessed.

In the South, the Tennessee is the only big river that has been put to work. Many others are yet to be developed -- from the Potomac all the way round to the Rio Grande.

In the Central States, the Ohio, Mississippi, and Missouri are in various stages of development.

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In the Northwest, river basin improvement is well advanced, and it is there that we can see most clearly the basic truth that water development has bright promise for a better future for all of our people. Yet even the Northwest suffered so severely from drought a few short weeks ago that industrial production of aluminum was seriously hampered.

We are being taught by pain the lessons we need to know. We are learning that the best way to do the job of conserving and improving water resources is through comprehensive, multiple-purpose plans.

We are learning the basic need for teamwork among the whole people in dealing with water problems. We are learning that neither farmers, nor industry, nor navigation can expect their claims to water to be protected at the expense of other equally vital claims.

We are learning the need for a comprehensive national policy to guide the development, use, and conservation of land and water resources. We are learning that such a policy must not only be formulated, but kept up-to-date and made effective by mechanisms for action. Regional programs are fine; but they must be fitted together to form the best possible national program.

These are new ideas here in the United States.

They have grown out of a century or more of trial and error efforts to control and use our water.

We have had a piecemeal approach in the past -- at one time flood control and navigation -- at another, irrigation -- at still another, the development of hydro-electric power.

This approach has brought progress, and I would be the last one to deny it. But it has also created some costly and stubborn problems. Early efforts to control floods with levees alone usually resulted in building them higher and higher. This meant even greater damage when the levees were broken or overflowed.

We all know that early irrigation projects sometimes failed because irrigation farming by itself could not pay the costs involved, or because the irrigation plans ignored many of the problems farmers faced.

We know, too, that many rivers in the East are now dangerously polluted because local governments provided water for industrial use, but neglected to provide safe outlets for industrial wastes.

Trial and error has taught us that we must combine our goals in dealing with the problems of too much or too little water.

We are making progress along this line through the President's Water Resources Policy Commission and through the various river basin interagency committees.

We are making progress also in our recognition of the part that farmers can play given full opportunity to use their resources in helping the Nation solve its water problems. It is on the land that water problems begin. Therefore, we take the view in the Department that the work of water conservation should begin where water from rain and snow-melt starts to course downhill on its way to the sea.

Here is where we can begin to meet the challenge of floods.

Here is where we can build a defense against drought.

Here is where we can check erosion -- not only safeguarding our topsoil resources, but also protecting massive downstream public works against siltation, the deadly enemy against which these public works have no adequate defense.

Here we can begin the vital task of regulating the flow of water so that downstream cities will no longer be confronted with the alternate disasters of too much and too little.

Here we can begin to make better use of water in strengthening the Nation's basic industry -- its agriculture.

The farmer is in a position to carry forward our battle against floods and drought and erosion -- the complex and complicated problems of too much and too

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little water. These are his problems, too. Their satisfactory solution means in general a better farm, better yields, and an opportunity over the years to earn a better income.

For these reasons the farmer needs to be a full-fledged member of the water conservation team.

We have made a very fine beginning through the widespread adoption of conservation practices.

We are making significant progress, too, in irrigation. Irrigation is moving east. It has already moved east. Farmers in the Midwest and the East are fast learning the advantages of supplemental irrigation.

But still I wonder if we are doing all that ought to be done.

I wonder if we don't need an even broader and more imaginative approach.

I think we do.

I think we need more research, most of which would be done by the land-grant colleges and the research agencies of the Department. I think we need more coordination of our various programs relating to water. I think we need to pay more attention to some of our long-run problems. We all too often simply wriggle out of today's mess on our way to tomorrow's sorrow.

The people who study weather say that such a flood season as Missouri, Kansas, and the neighboring areas had this year might not happen as often as once in five hundred years. Then again it could happen next year.

The same situation is true of the severe drought here in Texas. It might not happen again for a long time. But also it might happen again -- and even worse -- next year.

Is there some way of predicting droughts and floods? They're natural phenomena, and natural phenomena are subject to natural law. In a universe wherein every place we turn we see that order prevails, I cannot but believe that these



phenomena must also be subject to natural laws. As you are probably aware, for the past 15 to 20 years there has been some investigation of the possibility of determining patterns and trends in precipitation. Maybe nothing will come of this kind of study. Maybe it's too big for us to see any pattern. But this matter of rainfall is a factor affecting food production far more drastically than some of the other factors which we do study in connection with production.

An inventory of data relating to rainfall and snow, stream flow, ground water, soil moisture, snow storage, and crop conditions, could be of great value.

Also in due course, we might find useful something in the nature of an annual conference on the water resource situation patterned after our annual economic outlook conference and report.

We need far more accurate information about water prospects than we now have. Maybe the time has come for us to be more imaginative in our approach to the ways in which that need can be satisfied. The economic outlook conference just completed two weeks ago was the 29th such annual meeting. Twenty-nine years ago it was far from the smooth-operating mechanism it is today. It took several years to get this economic conference to the point where it was really effective.

Maybe we'll never be able to predict the amounts and effects of water as we predict demand for farm products. But we have data that goes back a long way, and maybe -- just maybe -- enough study might unearth significant information.

The accumulation and study of such data would require the participation of a large variety of interests and talents from other agencies, both within and outside Government. It might also stimulate some of the technicians in the field to sharpen some of their work, particularly in the interpreting of trends for a few years ahead.

I don't know whether there's any validity at all in presently employed methods of rain-making. I feel, however, that the possibilities should be thoroughly

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investigated, and the problems that rain-making would bring, if a successful technique exists, should be studied.

I hope some of the things I have said may strike a responsive chord among you. I hope you will do some serious thinking about the question of a periodic inventory on the water situation as it affects agriculture.

I hope you will think seriously also about the possibilities and problems that might be associated with a water resources conference, and that you will let us know your opinions.

I hope that some of you will find the idea of devoting some effort to an attempt to discover weather and rainfall trends worthy of further consideration.

And I might say, in conclusion that I am very happy that your association saw fit about a year ago to set up a permanent committee on Irrigated Agriculture and Water Resources. As you know the Department is interested in this committee and is ably represented on it.

When we deal with the use and conservation of water, we deal with a problem which does not stand by itself, but which is connected with every phase of our national and individual life. Because of this, we must be distrustful of easy answers and panaceas. Progress never comes easily. How the resources of the earth are used has been a subject of controversy for a long time and it is likely to be for a while to come.

But while we are distrustful of panaceas, let us not be too placid, or too indifferent, or too cynical, to investigate what is new.

Progress will continue so long as we have enough venturesome people -- impatient people -- people with faith in the future.

Let us heed the lessons of water use and conservation that we have recently been taught by pain.

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